

# BUDGET SUMMARY



## One-Year Operating and Capital Budget

Fiscal Year Ended June 30, 2018

## Five-Year Operating Forecast and Capital Improvement Plan

Fiscal Years ending June 30, 2018 through 2022





**ONE-YEAR OPERATING AND CAPITAL BUDGET  
FISCAL YEAR 2017-18**

**AND**

**FIVE-YEAR OPERATING FORECAST  
AND CAPITAL IMPROVEMENT PLAN  
FISCAL YEARS 2017-18 THROUGH 2021-22**



**Board of Port Commissioners of the City of Oakland**

Michael Colbruno, President  
Cestra Butner, First Vice President  
Joan H. Story, Second Vice President  
Andreas Cluver, Commissioner  
Earl S. Hamlin, Commissioner  
Arabella Martinez, Commissioner  
Alan S. Yee, Commissioner

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Chris Chan, Director of Engineering  
John C. Driscoll, Director of Maritime  
Bryant L. Francis, Director of Aviation  
Pamela Kershaw, Director of Commercial Real Estate  
Sara Lee, Chief Financial Officer  
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**June XX, 2017**





## **DISCLOSURE**

This Budget Summary is disclosed publicly for general information relating to the Port of Oakland (Port) only and should not be construed as an offering document nor part of the Port's Annual Report pursuant to SEC Rule 15c2-12 for the Port's revenue bonds or commercial paper notes. The information and expressions of opinion in this Budget Summary are subject to change without notice after the date hereof, and future use of this Budget Summary shall not otherwise create any implication that there has been no change in the matters referred to in this Budget Summary since the date hereof. The goals and objectives of the Port set forth in this Budget Summary should not be construed as commitments by the Port that such goals and objectives will, in fact, be achieved or occur within such time frames. The goals and objectives are subject to change.

**Certain statements included or incorporated by reference in this Budget Summary constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "assume," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements are based upon certain assumptions and involve known and unknown risks, uncertainties and other factors, including business levels during the relevant periods, that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results will vary and may vary materially. The Port does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.**

The Port has not yet obtained funding for all the capital projects described in this Budget Summary, some of which may not ultimately be implemented by the Port. Furthermore, the overall cost of the 5-Year Capital Improvement Plan is subject to change, and the variance from the cost estimates described in this Budget Summary could be material. Failure to complete the projects may adversely affect the Port's ability to generate the currently anticipated revenues.



## TABLE OF CONTENTS

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<b>A. Overview</b>	
<i>Mission and Vision Statements</i>	1
<i>San Francisco Bay Area Region Map</i>	2
<i>Port of Oakland Overview</i>	3
<i>Port of Oakland Area Map</i>	4
<i>Aviation</i>	6
<i>Maritime</i>	15
<i>Commercial Real Estate</i>	23
<i>Utilities</i>	27
<i>Security</i>	27
<i>Community Connection</i>	28
<i>Environmental Stewardship</i>	29
<i>Social Responsibility</i>	34
<i>Economic Impact</i>	36
<i>Financial Policy Guidelines</i>	38
<b>B. Operating Budget</b>	
<i>Operating Budget Process and Timeline</i>	41
<i>Operating Budget Highlights and Assumptions</i>	43
<i>Statement of Revenue, Expenses and Change in Net Assets</i>	50
<i>Operating Expenses by Category</i>	51
<i>Port Organization</i>	52
<i>Staff Summary</i>	54
<i>Personnel Costs by Division</i>	56
<i>Personnel Costs</i>	57
<b>C. Port Divisions</b>	
<i>Aviation</i>	59
<i>Maritime</i>	67
<i>Commercial Real Estate</i>	75
<i>Utilities – Engineering</i>	81
<i>Engineering &amp; Environmental Planning</i>	86
<i>Finance and Administration</i>	91
<i>Executive Office</i>	95
<i>Port Attorney’s Office</i>	97
<i>Office of Audit Services</i>	99
<i>Office of the Board of Port Commissioners</i>	100
<i>Non-Departmental</i>	102

<b>D. Capital Budget and 5-Year Capital Improvement Plan</b>	
FY 2018 Capital Budget – Initial and Pipeline Projects	105
5-Year Capital Improvement Plan	107
Capital Project Funding Sources	118
<b>E. Debt Service and Cash Flow</b>	
Debt Service	125
Cash Flow	129
<b>F. Glossary</b>	
Acronyms	133
Definitions	136

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# PORT OF OAKLAND COMMISSIONERS

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**Michael Colbruno**  
*President*



**Cestra "Ces" Butner**  
*First Vice-President*



**Joan H. Story**  
*Second Vice-President*



**Andreas Cluver**  
*Commissioner*



**Earl S. Hamlin**  
*Commissioner*



**Arabella Martinez**  
*Commissioner*



**Alan S. Yee**  
*Commissioner*

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## **Mission Statement**

*We are stewards of public assets. We lead our seaport, airport, and real estate businesses in a fiscally prudent and socially beneficial way.*

## **Vision Statement**

*The Port of Oakland is the Preferred Gateway.*

# SAN FRANCISCO BAY AREA MAP





**DRAFT June 1, 2017**

## **PORT OF OAKLAND OVERVIEW**

The Port of Oakland (Port) is an independent department of the City of Oakland, California (City). The Port manages three lines of business: Aviation, Maritime and Commercial Real Estate. Port facilities include the Oakland International Airport (OAK; Airport); marine terminals, rail facilities for intermodal and bulk cargo handling terminal, and areas for truck staging, container storage, and Maritime support services (collectively, the Seaport); commercial, industrial, recreational and other land under lease or available for lease or sale; undeveloped land; and water area.

The Port is located in the City, along approximately 19 miles of waterfront on the Oakland Estuary and San Francisco Bay. The City is one of 14 cities in Alameda County, and one of the three major cities in the nine-county region known as the San Francisco Bay Area (Bay Area), a large metropolitan area with a population of approximately seven million<sup>1</sup>.

The majority of the Port's land was granted by the State of California (State) in the early 20<sup>th</sup> century, subject to the State Tidelands Trust, which requires that the land be used for statewide public purposes, including commerce, navigation, fisheries, and other recognized uses. The Port acts as trustee on behalf of the State for all Port property.

### **GOVERNANCE**

Governance of the Port was delegated to a seven-member Board of Port Commissioners (Board) in 1927 by an amendment to the City Charter. The commissioners are nominated by the Mayor and appointed by the City Council. They serve staggered four-year terms without compensation, and must be residents of the City.

The Board has complete exclusive power and has a duty for and on behalf of the City to manage all Port facilities and property, real and personal, all income and revenues, and all bond proceeds for harbor, airport, commercial real estate improvements, or for any other purpose. The Board has the power under the City Charter to fix, alter, change, or modify the rates, tolls, fees, rentals, and other charges for the use of the Port's facilities, and any services provided in connection with the Port's facilities. The Board appoints an Executive Director to administer operations.

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<sup>1</sup> U.S. Census Bureau 2010.

# PORT OF OAKLAND AREA MAP



**DRAFT June 1, 2017**

## PORT BUSINESS LINES AND OPERATIONS

The Port has three major business lines that generate and support economic activity locally, regionally, nationally, and globally.

**Aviation** - Oakland International Airport (OAK; Airport) is one of three major commercial airports serving the Bay Area and has approximately 2,600 acres of aviation-related facilities. OAK is the second busiest Bay Area airport as measured by commercial passengers, with over 330 daily passenger and cargo arrivals and departures. The Airport currently averages 147 passenger departures a day to 60 domestic and international destinations, fluctuating seasonally to as high as 170 on a peak day. All-cargo departures range from 15 to 30 departures per day to destinations around the globe. In calendar year (CY) 2016, the Airport served 12.1 million passengers and handled approximately 1.2 billion pounds of air cargo. Aviation generates approximately 51% of the Port's total operating revenues.<sup>2</sup> Aviation operating revenues are derived from three primary sources: (1) landing fees and terminal rents paid by airlines; (2) parking and ground access charges; and (3) leases and concessions.

**Maritime** – The Oakland Seaport (Seaport) is one of the top ten container ports in the United States (U.S.) and North America, comprising approximately 1,300 acres of maritime-related facilities. It serves as the principal ocean gateway for international containerized cargo shipments in Northern California and is one of four major gateways for such shipments on the West Coast of the U.S. In CY 2016, approximately 2.4 million twenty-foot equivalent units (TEUs) moved through the Seaport. Approximately 93% of this activity was associated with international trade, while the remaining 7% represented domestic trade within the U.S. Maritime generates approximately 44% of the Port's total operating revenues.<sup>3</sup> Most of the Maritime operating revenues are derived from lease agreements with marine terminal operators.

**Commercial Real Estate** - The Port's commercial real estate (CRE) includes all Port properties not used or intended to be used for maritime or aviation purposes. These properties total approximately 837 acres of land along the Oakland Estuary and include warehouses, public parking, hotels, offices, shops, restaurants, as well as public parks and open space. CRE generates approximately 5% of the Port's total operating revenues.<sup>4</sup> CRE revenues are derived primarily from lease agreements and parking revenues.

Unlike some ports, the Port does not receive funding from local tax revenues and, as an independent department of the City, must generate sufficient revenue to financially support its day-to-day business line operations. However, the City does provide a variety of services to the Port, such as fire, police, and treasury services. The Port anticipates paying the City approximately \$20.1 million in fiscal year (FY) 2018 for these services, as well as for maintenance of Tidelands Trust property, and for parking and utility taxes collected on the City's behalf.

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<sup>2</sup> Based on FY 2016 audited financial statements.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

**DRAFT June 1, 2017**

Companies and organizations that operate at the Port create jobs and revenue, and generate tax revenues for the City and State. According to the Port's most recently commissioned economic impact study in 2010, approximately \$106 billion of economic activity is associated with the Port's business lines. This activity supports approximately 74,000 direct, induced, and indirect jobs in the region, and nearly 827,000 related jobs in the State and the U.S. In addition, Port-related activities affect the generation of business revenue totaling approximately \$7 billion annually.<sup>5</sup>

## AVIATION

### History

OAK has served the air travel and air cargo needs of the Bay Area for 90 years. In 1927, work crews constructed what was then the world's longest runway, a 7,020-foot long strip that served as the takeoff point for the first trans-Pacific flight from the U.S. mainland to Hawaii. The Airport received national recognition at its 1927 dedication when Col. Charles A. Lindbergh declared it "one of the finest airports" he had ever seen. It also was the departure point for Australian World War I ace Sir Charles Kingsford-Smith, who made the first flight between North America and Australia in 1928. Famous aviators frequented OAK, including Amelia Earhart, Bessie Coleman, Lester Maitland, and Albert Hegenberger. OAK was also the West Coast terminus for United Airlines' newly introduced service to New York in 1937. The new DC-3s carried 14 passengers and made the trip in 15 hours and 20 minutes, with three stops. In 1962, Terminal 1 and Runway 12/30 were opened to accommodate growth and technological advancements in the aviation industry. A second eight-gate terminal (Terminal 2) was opened in 1985 and was expanded to a total of 13 passenger gates in 2007.

### Oakland International Airport Today

OAK is one of three international airports serving the Bay Area, the third largest U.S. aviation market behind New York and the Los Angeles Basin. In 2016, OAK ranked 36<sup>th</sup> in the U.S. in terms of total passengers and 13<sup>th</sup> in the U.S. in terms of air cargo tonnage.<sup>6</sup> It was the second busiest Bay Area passenger airport with an approximate market share of 16% and the busiest Bay Area cargo airport with a market share of 50%.

The Airport facilities are located on approximately 2,600 acres of land and include terminals, airfields, a consolidated rental car center, parking, air cargo, corporate and general aviation, a municipal golf course, and maintenance facilities. The Airport's commercial passenger terminals (Terminals 1 and 2) have a total of 29 gates and include the International Arrivals Building. The main commercial runway, Runway 12/30, primarily serves commercial air carrier operations and business jet departures. In addition, there are runways used primarily for business and general aviation purposes.

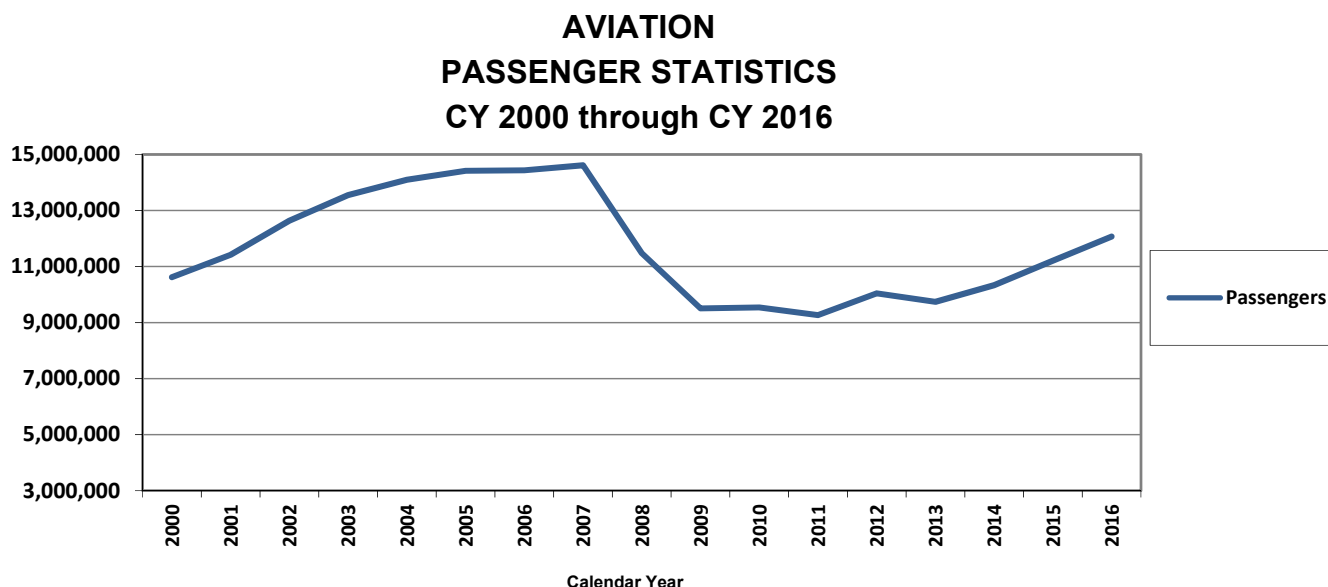


<sup>5</sup> The Economic Impact of the Port of Oakland – 2010, Martin Associates. Also see page 37.

<sup>6</sup> Based on preliminary data from Airports Council International - North America.

**DRAFT June 1, 2017**Passenger Service

OAK provides easy-to-use airport facilities and convenient access to the Bay Area. In CY 2016, the Airport served 12.1 million passengers. Although below OAK's CY 2007 peak of 14.6 million, traffic grew 24% between CY 2013 and CY 2016, faster than any other California airport, and with 60 nonstop destinations, the number of destinations is at an all-time high.



Southwest is OAK's largest carrier, accounting for 70% of the Airport's passenger activity and serving 30 nonstop destinations, with as many as 122 daily departures planned for summer 2017. Southwest is adding service to Newark (EWR) in June 2017.

Other new services added in 2016 included London Gatwick on Norwegian in May; Reno-Tahoe, Long Beach and St. Louis on Southwest in June; Atlanta on Delta in June; and El Paso and Las Vegas on Allegiant in October. In 2017, new service began to Puerto Vallarta and San Jose del Cabo on Southwest in February; Copenhagen on Norwegian in March; London Gatwick on British Airways in March; and new service will begin to Barcelona on both Norwegian and LEVEL in June.

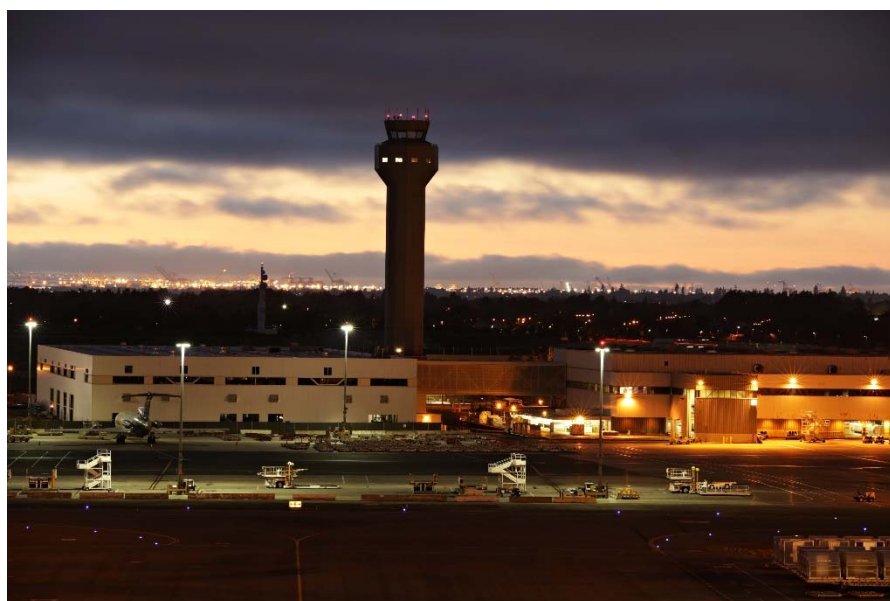
**DRAFT June 1, 2017****OAK PASSENGER ACTIVITY and MARKET SHARE BY CARRIER**

<b>Marketing Airline</b>	<b>Total Passengers Served in CY 2016</b>	<b>Market Share In CY 2016</b>
Southwest	8,439,209	69.9%
Alaska/Horizon <sup>1</sup>	730,434	6.1%
Spirit	642,073	5.3%
Hawaiian	442,934	3.7%
Delta Airlines	415,072	3.4%
JetBlue	402,119	3.3%
Volaris	212,053	1.8%
Allegiant	206,189	1.7%
American	189,867	1.6%
Norwegian Airlines	163,611	1.4%
Compass Delta	95,100	0.8%
SkyWest Airlines <sup>2</sup>	65,498	0.5%
Mesa Airlines <sup>3</sup>	55,576	0.5%
Charter/Other	11,232	0.1%
<b>Total</b>	<b>12,070,967</b>	<b>100.0%</b>

<sup>1</sup> Horizon Air and Alaska Airlines are wholly-owned subsidiaries of Alaska Air Group.

<sup>2</sup> SkyWest Airlines is a regional carrier that operates at OAK under a contractual agreement with Delta Airlines, American Airlines, and Alaska Airlines.

<sup>3</sup> Mesa Airlines is a regional carrier that operated at OAK under a contractual agreement with American Airlines.





**DRAFT June 1, 2017****OAK PASSENGER AND CARGO STATISTICS**

<b>PASSENGERS</b>	<b>CY 2016</b>	<b>CY 2015</b>	<b>% Change</b>
Enplaned	6,041,455	5,603,543	7.8%
Deplaned	<u>6,029,512</u>	<u>5,601,520</u>	<u>7.6%</u>
Total	12,070,967	11,205,063	7.7%
<b>FREIGHT (in 000 lbs)</b>			
Inbound	579,736	571,988	1.4%
Outbound	<u>594,399</u>	<u>599,585</u>	<u>-0.9%</u>
Total	1,174,135	1,171,573	0.2%
<b>MAIL (in 000 lbs)</b>			
Inbound	3,492	7,975	-56.2%
Outbound	<u>3,389</u>	<u>4,058</u>	<u>-16.5%</u>
Total	6,881	12,033	-42.8%
<b>TOTAL AIR CARGO (Freight &amp; Mail) (in 000 lbs)</b>	1,181,016	1,183,606	-0.2%
<b>LANDED WEIGHT (in 000 lbs)</b>	10,147,656	9,449,870	7.4%
<b>AIRCRAFT OPERATIONS</b>	222,771	215,750	3.3%

**Air Cargo**

In addition to its status as a major passenger airport, OAK serves the top two global air cargo leaders, FedEx and United Parcel Services (UPS). OAK is the North American west coast hub for FedEx. In late 2013, FedEx completed construction of a 200,000± square foot international sort facility to complement its existing 280,000 square foot domestic operation at OAK. It is also renovating and upgrading other on-Airport facilities with a total anticipated investment of approximately \$100 million over a five-year span. FedEx performs intermodal sorting and distribution of freight and overnight packages to and from around the world from its state-of-the-art facilities. OAK also serves as the primary Northern California air cargo facility for UPS with a major off-Airport sort facility on land leased from the Port and on-Airport transfer and loading facilities.

<b>Air Cargo Carrier</b>	<b>CY 2016 Volume<sup>1</sup> (million lbs)</b>
<b>FedEx</b>	946
<b>UPS</b>	204
<b>Southwest</b>	15
<b>Other</b>	16

<sup>1</sup> Air Cargo figures include freight and mail.

In CY 2016, OAK handled approximately 1.2 billion pounds of air cargo (freight plus mail), approximately the same volume as CY 2015. FedEx is the major operator of freight aircraft with an average of 18 flights per day and 946 million pounds of cargo handled in CY 2016. UPS operated an average of four flights a day and handled 204 million pounds of cargo in CY 2016. Southwest ranks as the third largest volume cargo carrier at OAK. With a large fleet of aircraft with lower deck “belly” cargo space, Southwest handled

**DRAFT June 1, 2017**

15 million pounds of cargo in CY 2016. Small general aviation aircraft and a small number of charter aircraft carry the remaining cargo at OAK.

### Corporate Aviation

OAK has two fixed-base operators (FBOs) that serve local, national, and international corporate and dignitary customers with full-service facilities. FBOs provide fueling, maintenance, charter aircraft passenger services, and aircraft parking and storage on OAK's airfield and in Port-owned hangars. The two FBOs are: KaiserAir, Inc. (KaiserAir) which has operated at OAK since 1954; and Signature Flight Support (Signature) (formerly Landmark Aviation), which commenced operations in late 2011 and acquired the holdings of Business Jet Center in 2013. Along with handling general aviation and corporate clients, KaiserAir also operates its proprietary (Part 121) aircraft with weekly scheduled flights to Hawaii. As OAK's newer FBO, Signature brings its expertise from operations at almost 200 airports across the U.S., Canada, Europe, Africa, Asia, and South America. Signature has completed a \$12 million investment in its leased facilities and expects to make significant capital investments during the first ten years of its lease term to improve Port-owned hangars and other airfield and support facilities.

### Major Projects

Capital planning and development programs focus on maintaining, renovating, and enhancing existing assets in order to sustain revenue and provide adequate facilities to meet demand. This work includes monitoring and maintaining major OAK infrastructure, such as the airfield pavement and lighting systems to ensure safe and secure operating conditions; and sewer, water, and power systems to provide uninterrupted critical services. As further discussed in the *Capital Budget and 5-Year Capital Improvement Plan* section, several major projects aimed at ensuring the safety and integrity of Airport facilities, as well as enhancing customer service, will continue or be completed in FY 2018.

The most visible among these include:

#### *Terminal 1 Retrofit and Renovation Program*

The Port continues to work on the renovation and retrofit of OAK's Terminal 1 (T1 Program), in a phased approach. The T1 Program focuses on replacing aging infrastructure, bringing building systems up to code, and reducing life-cycle costs. The overall program for the terminal renovation is called "Moving Modern".



**DRAFT June 1, 2017**

During FY 2017, the implementation of major life-safety and infrastructure improvements in building M102 was on-going, including the installation of interior seismic bracing and other infrastructure work, which was accomplished while maintaining full operation of the security checkpoint. The mezzanine level interior construction was initiated and is expected to be completed in early FY 2018. The mezzanine will provide public-serving space for meetings, security badging, permitting, lost and found, and Port administrative offices. The three-year M102 construction project is anticipated to be completed by December 2017. The T1 Program is funded primarily by Passenger Facility Charges (PFCs).



### *International Arrivals Building (IAB) Upgrade*

The IAB Upgrade Project is intended to improve reliability and functionality of the dated current facility, including a new baggage carousel and expanded passenger processing to better serve the international passenger market. The project involves coordination and design approvals with the U.S. Customs and Border Protection (CBP). Construction began in August 2016 and is anticipated to be completed in fall 2017. The IAB Upgrade Project is funded primarily by PFCs.



**DRAFT June 1, 2017**

### *Runway 12/30 Rehabilitation*

Runway 12/30 is the Airport's main commercial air carrier runway. The runway is fully instrumented to allow aircraft operations up to current FAA standards. With 10,000 feet in length, it provides landing and take-off distances that accommodate all types of commercial and air cargo aircraft. A runway pavement overlay project completed in 2001 extended the service life of the runway for an estimated 15 years; accordingly, the runway is due for a new overlay in 2017.

The Runway Rehabilitation Project includes centerline lighting infrastructure replacement and an overlay of approximately 7,800 linear feet of paving. During FY 2017, the planning and design for the Runway 12/30 Rehabilitation project was completed and the contractor selected. Extensive coordination was conducted with all stakeholders, including the FAA, airlines, and the surrounding community to balance operations and community impacts. The project approach includes converting the parallel taxiway Whiskey to a temporary runway during the pavement overlay in order to accommodate operations during construction. The project is expected to be funded primarily through Airport Improvement Program (AIP) grants, with the runway overlay construction anticipated to occur over a two-week period in September 2017 and all follow-up work completed in FY 2018.



**DRAFT June 1, 2017****AVIATION OPERATIONS AT-A-GLANCE**

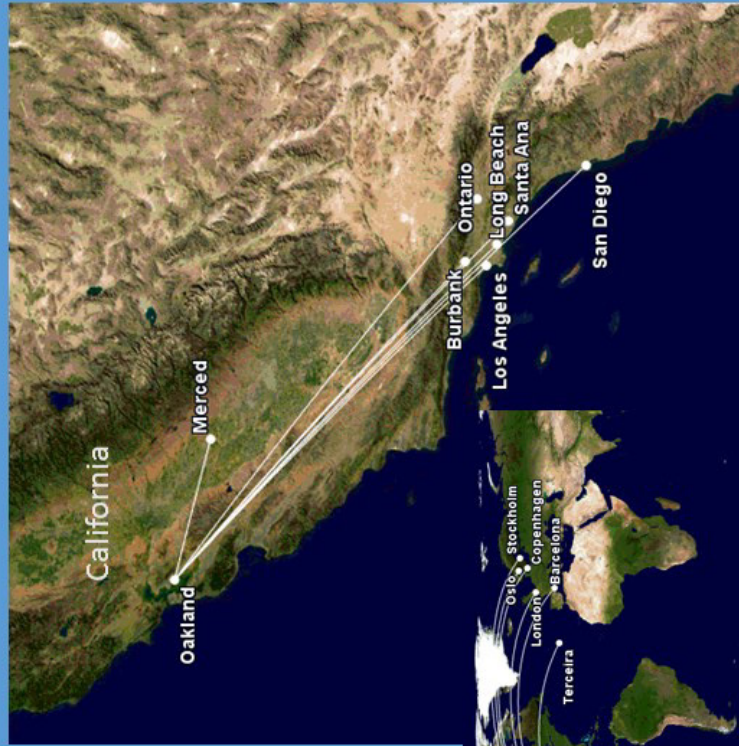
Fast Facts		
<b>Major All-Cargo Carriers:</b>	FedEx UPS	
<b>Number of Daily Departures:</b> (passenger and cargo)	170 average 200 peak	
<b>Acreage:</b>	2,600 acres (approximate)	
<b>Passenger Facilities:</b>	Two terminals (556,000 sq ft) 29 boarding gates	
<b>Runways:</b>	10,000 feet 5,458 feet 6,213 feet 3,376 feet	
<b>Number of Employees:</b>	8,000 Port and tenant employees (approximate) About one-third of tenant employees are in cargo-related jobs.	
<b>Largest Airport Employers:</b>	Southwest Airlines FedEx Rolls Royce Engine Services UPS Port of Oakland	Approximately: 2,600 (includes crew base staff) 1,300 400 320 255 (Aviation Division)
<b>Public Parking:</b>	7,000 vehicle capacity	
<b>Cargo Sort Facilities:</b>	FedEx UPS	
<b>U.S. Customs:</b>	International Arrivals Facility (29,000 sq ft)	
Domestic Airlines		International Airlines
Alaska Airlines/Horizon Air	Hawaiian Airlines	British Airways
Allegiant	JetBlue Airways	Level (starting June 2017)
American Airlines	SkyWest Airlines	Norwegian
Boutique Air	Southwest Airlines	SATA Airlines (seasonal)
Compass Airlines	Spirit Airlines	Volaris Airlines
Delta Air Lines		



**DRAFT June 1, 2017**

# Routes Summer 2017

OAKLAND INTERNATIONAL AIRPORT





**DRAFT June 1, 2017****MARITIME**History

In the early and mid-1900s, the shipping business was rapidly expanding in the City due in part to the Panama Canal's opening and World War I. To accommodate the growing maritime activities, City voters approved bonds in 1925 to finance the construction and development of a municipal port overseen by an autonomous Board of Port Commissioners. Two years later, the Port was officially established as an independent department of the City. The maritime facilities would serve the Port for the next 40 years with relatively few changes, until containerized shipping dramatically altered maritime operations. Developed in the U.S. in the late 1950s, this new technology transformed shipping worldwide through the use of standardized steel/aluminum containers that are carried by ship, truck, and train. In the 1960s the Port became one of the pioneers of large-scale containerization in the U.S. by becoming the first major port on the U.S. West Coast to build terminals for container ships.



**PORT OF OAKLAND  
SEAPORT**

To meet regional, national, and global cargo transport needs for the 21<sup>st</sup> century, the Port completed a major maritime expansion program in 2002, converting an area formerly occupied by the U.S. Navy into new container terminals, intermodal rail facilities, roadways, and public waterfront open space. Following this expansion, between 2003 and 2007, the Port acquired approximately 241 acres of the former Oakland Army Base (OAB), ideally located adjacent to existing Seaport facilities. The Port is developing the former OAB into a state-of-the-art logistics center, beginning with a new rail yard, which was completed in December 2016. Full redevelopment of the logistics center, known as the Seaport Logistics Complex, will occur over several years.

International Gateway Today

The Seaport serves as the principal ocean gateway for international containerized cargo shipments in Northern California and is one of the top ten container ports in both the U.S. and North America, based on the number of TEUs handled annually. A TEU is an international standard of measurement for the volume of business that moves through a container port. Containers come in different lengths, but most containers handled at the Seaport are 40 feet long and are therefore equal to two TEUs.

In CY 2016, approximately 2.4 million TEUs, or about 1.3 million containers, moved through the Seaport – an increase of approximately 4.0% from CY 2015. The increase was due primarily to the resolution of labor/management disputes on the waterfront (which caused a cargo slowdown on the U.S. West Coast in CY 2015) and the weakening of the U.S. dollar on the international market (which positively affected exports).

The Port historically has been a strong export seaport, moving California agricultural products and other U.S. goods overseas to foreign markets. However, growth of export cargo is dependent on global economic factors such as the strength of the U.S. currency and the availability of containers. In CY 2016, imports accounted for approximately 48% of all full container activity, while exports represented 52%.

**DRAFT June 1, 2017**

In CY 2016, approximately 93% of the Port's trade was with international regions/partners and approximately 7% was domestic. Asia is the Port's most significant trading partner; in CY 2016, about 77% of the full TEUs that moved through the Port either originated from or were destined for Asia.

### NORTH AMERICA CONTAINER PORT ACTIVITY BY TEU VOLUME

PORT	CY 2016 TEUs	CY 2015 TEUs	% CHANGE
LOS ANGELES (CA)	8,856,783	8,160,458	8.5%
LONG BEACH (CA)	6,775,171	7,192,066	-5.8%
NEW YORK/NEW JERSEY (NY/NJ)	6,251,953	6,371,720	-1.9%
SEA-TAC ALLIANCE	3,615,752	3,529,441	2.5%
SAVANNAH (GA)	3,644,521	3,737,400	-2.5%
OAKLAND (CA)	2,369,631 <sup>1</sup>	2,277,521	4.0%

Source: Respective port websites

<sup>1</sup> Includes estimates.

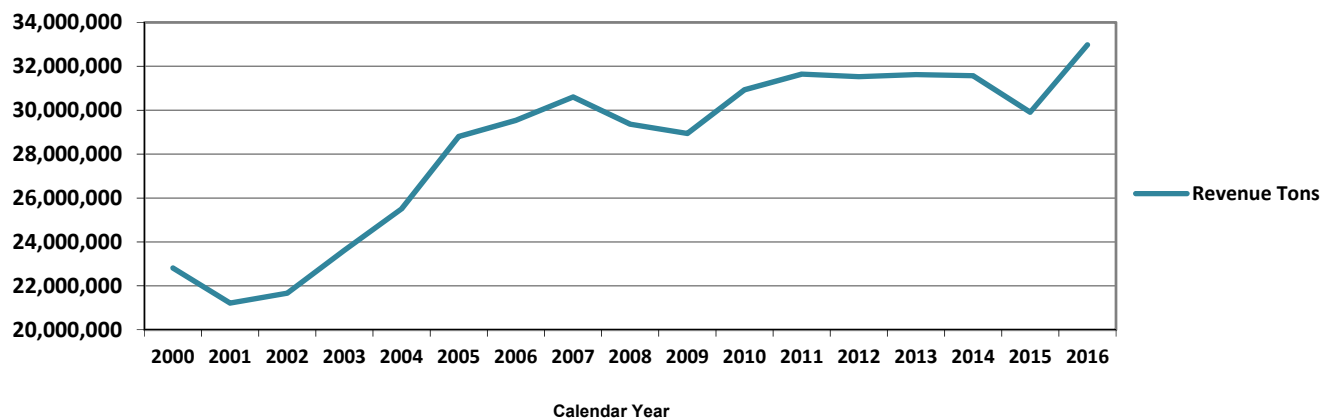
### OAKLAND CONTAINER ACTIVITY

TYPE	CY 2016 TEUs <sup>1</sup>	CY 2015 TEUs	% CHANGE
<b>FULL</b>			
IMPORT	883,647	844,234	4.7%
EXPORT	<u>948,574</u>	<u>858,146</u>	<u>10.5%</u>
Total	1,832,221	1,702,380	7.6%
<b>EMPTY</b>	537,410	575,141	-6.6%
<b>TOTAL CONTAINERS</b>	<b>2,369,631</b>	<b>2,277,521</b>	<b>4.0%</b>

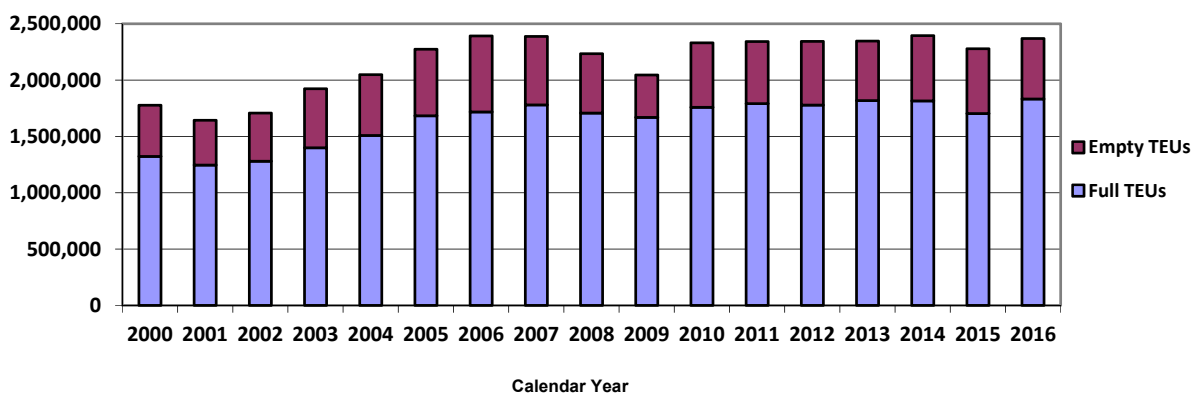
<sup>1</sup> Includes estimates.

**DRAFT June 1, 2017**

**MARITIME  
CARGO STATISTICS  
CY 2000 through CY 2016  
Revenue Tons<sup>1</sup>**



**Total TEUs<sup>2</sup>**



<sup>1</sup> Containerized cargo only; excludes bulk cargo.

<sup>2</sup> In CY 2000 through CY 2011, TEUs include restows and shifts. Starting in CY 2012, restows and shifts are no longer counted.

**DRAFT June 1, 2017**



# SEAPORT FACILITIES



**DRAFT June 1, 2017**

The Port currently offers 18<sup>7</sup> deep-water berths (most with 50 feet of water depth), four active marine terminals (operated by four terminal operators under six separate agreements), and 33 container cranes, of which 23 are Port-owned. The Charles P. Howard Terminal, previously operated as a container terminal, is currently being leased to tenants that provide maritime support services on an interim basis until the Port identifies a long-term tenant. The Outer Harbor Terminal (Berths 20-26), which closed in spring 2016, has been partially incorporated into the expansion of the adjacent TraPac Terminal (formerly Berths 30-32, now Berths 25-33). The balance of the Outer Harbor Terminal is under lease on an interim basis to tenants that provide maritime support services, until a long-term tenant is identified. Cargo previously handled at the Outer Harbor Terminal was redirected to the other four active terminals.

All major ocean container carriers serve the Port, linking the Bay Area with direct all-water service routes to most of the world's major producing, consuming, and trading economies. Among other California container ports, the Seaport offers some of the shortest transit times to and from Asia, its primary regional trading partner. The Seaport is backed by a network of local roads and interstate freeways, warehouses, and two Class I railroads – Burlington Northern Sante Fe Railway Company (BNSF) and Union Pacific Railroad (UP) – that, together, link the Seaport to local, regional, and national markets for containerized goods.

### Major Projects

The Port must continuously upgrade and expand its facilities to accommodate future growth, improve its overall competitiveness, and enhance security. As further discussed in the *Capital Budget and 5-Year Capital Improvement Plan* section, various projects are planned to continue or begin in FY 2018 across all areas of the Seaport. Of these, the most significant include:

#### *Seaport Logistics Complex*

OAB, a military supply depot built during World War II, was closed by the Base Realignment and Closure (BRAC) Commission in 1993; and portions of the OAB were transferred to either City-related entities or the Port between 2003 and 2007. The Port received approximately 241 acres of OAB property, of which 185 acres are land and 56 acres are submerged land (i.e., water). The Port plans to develop its OAB property into the Seaport Logistics Complex, which is expected to include new import cross-dock, export transloading from railcar to container, and new rail facilities. Development is phased to match market demand and funding availability.



Former OAB, showing new railyard

<sup>7</sup> Functional berths based on current average vessel size.



**DRAFT June 1, 2017**

In 2016, the Port completed construction activities for the first phase of new rail facilities. The improvements provide additional railcar storage capacity for current and future customers at the Seaport Logistics Complex, particularly transload, bulk, and break bulk businesses. The Port is currently negotiating with a private developer to develop approximately 27 acres of land adjacent to the new rail yard into a new logistics facility.

#### *Temperature-Controlled Facilities*

Following a competitive solicitation for the development and operation of a new temperature controlled transload facility at the Seaport, the Port entered into a lease with Cool Port Oakland, LLC in October 2015. Construction of the Cool Port Project started in May 2017, with operations anticipated to commence in summer 2018. The intent of the development is to increase the import and export of perishable food products through Northern California and the Seaport.



Conceptual rendering of OAB development at full build-out, including both Port and City-owned property. Prepared by others.

#### *Marine Terminal & Roadway Improvements*

Over the next five years, the Port expects to make a number of improvements to marine terminals and the key access points to those terminals. This work will address aging infrastructure, the needs of larger ships, and congestion on roadways inside the Seaport. Key projects include crane raising; wharf upgrades for vessels capable of carrying 18,000 TEUs or more; and design and construction of a new, grade-separated 7<sup>th</sup> Street (pending Measure BB and other State and federal funding). The Port will fund some of these improvements, while others will be funded by private investment or State/federal monies.

#### *Security*

Since 2001, the Port, State, and U.S. government have focused on seaport security as a critical link in national defense. Leveraging federal, State, and local funding sources (including grants), the Port continues to implement various improvements to enhance overall security and emergency preparedness. In FY 2018, the Port plans to complete the extension of its existing security system (fiber optic network and surveillance cameras) to the new Seaport Logistics Complex. Further, over the next few years, the Port also plans to modernize existing information technology systems that are at the core of seaport security, with a focus on cybersecurity and protection of industrial control systems for critical infrastructure. These improvements support resiliency and promote better information sharing among agencies and stakeholders during emergencies and other security events.

#### *Congestion Relief and Operational Efficiencies*

While the Port has rebounded from significant congestion in late 2014 and early 2015 related to civil protests and labor slowdowns during labor negotiations, the Port continues to intermittently experience long truck queues outside terminal gates. The Port is approaching the congestion challenge with several initiatives, all under the umbrella of the Port Efficiency Task Force (PETF), which launched in August 2015. Members of the PETF include representatives from all sectors of the supply chain. The PETF is working on several initiatives: extended gate hours (night gates have been in operation since early 2016 at some terminals); real time monitoring of truck wait and turn-times, and other operations-related performance monitoring/metrics; deployment of a gray chassis pool (i.e., a more flexible system that allows sharing of



**DRAFT June 1, 2017**

chassis across customers/users); marine terminal appointment systems; and, development of a customer portal that would provide a one-stop source for information about Port operations.



Marine terminal, with City in distance

**DRAFT June 1, 2017****MARITIME OPERATIONS AT-A-GLANCE****Fast Facts**

<b>CY 2016 Cargo Vessel Arrivals:</b>	1,745
<b>Deepwater Ship Berths:</b>	18
<b>Container Gantry Cranes:</b>	33 (23 Port-owned)
<b>Container Terminals Acreage:</b>	779 acres (approximate)
<b>Railroads:</b>	BNSF Railway Company Union Pacific Railroad
<b>Freeways Serving Port:</b>	Interstate 80 (north & eastbound) 880 (southbound) 580 (eastbound) 980 (eastbound)

Container Terminals	Operator	Berths
<b>Ben E. Nutter Terminal</b>	Everport Terminal Services, Inc.	35-38
<b>Matson Terminal</b>	SSA Terminals, LLC	60-63
<b>Oakland Int'l Container Terminal</b>	SSA Terminals (Oakland), LLC	55-59
<b>TraPac Terminal</b>	TraPac, LLC	25-33
<b>Charles P. Howard Terminal</b>	Various, ancillary uses only at this time	67-68
<b>Outer Harbor Terminal</b>	Various, ancillary uses only at this time	20-24

**Shipping Lines**

ANL	"K" Line	Pasha
APL	Maersk	Polynesia Line
CCNI	Matson Navigation	SM Line
China Ocean Shipping Co	Mediterranean Shipping	U.S. Lines
CMA-CGM	Company	United Arab Shipping
Evergreen Line	Mitsui OSK Lines	Wan Hai
Hamburg Sud	NYK Line	Yang Ming Line
Hapag-Lloyd	OOCL	Zim Container Line
Hyundai Merchant Marine	Pacific International	

**Principal Exports**

Aluminum/Articles of Aluminum	Iron/Steel	Plastic and Article of Plastic
Beverages	Meats	Preparations of Vegetables
Cereals	Oil seeds/Olaginous Fruits	Wood Pulp
Edible Fruits/Nuts		

**Principal Imports**

Articles of Iron/Steel	Glass/Glassware	Plastic
Beverages	Machinery	Rubber
Electrical Machinery	Paper and Paperboard	Wood/Articles of Wood
Furniture		

Source: Port of Oakland and U.S. Department of Commerce, Bureau of Census.

**DRAFT June 1, 2017**

## COMMERCIAL REAL ESTATE

CRE includes approximately 837 acres of land along the Oakland Estuary that is not used for aviation or maritime purposes. Much of this land, particularly land located between the ferry terminal at Jack London Square (JLS) and Hegenberger Road (see *Commercial Real Estate Area Map*, page 76), was historically used for industrial purposes. Over time, it is being transformed with new development, including entertainment uses, hotels, offices, shops, restaurants, and industrial flex/research development, as well as public parks and open space.

Most of CRE's properties are leased to developers or tenants under long-term agreements, pursuant to which the developer or tenant is responsible for the development, subleasing, operation, and maintenance of the improvements on the properties. The primary challenge for CRE is to enhance profitability of the Port's real estate portfolio in an environment of intense competition, competing public interest groups, and complex regulatory oversight.

CRE properties are categorized into four distinct geographic areas –JLS, Embarcadero Cove, Oakland Airport Business Park/Distribution Center, and Brooklyn Basin (formerly called Oak-to-Ninth Avenue) waterfront district. Within each of these areas, there are a number of public parks and open space areas which in total acreage comprise approximately 75% of the total land area within the CRE portfolio. The most significant new development activity is occurring at JLS and Brooklyn Basin, as summarized below.

### Jack London Square

The Port property that likely has the greatest direct visibility and familiarity to most Bay Area residents and visitors is JLS, a mixed-use, waterfront commercial development located along the Oakland Estuary at the foot of Broadway, approximately one-half mile from the City's downtown. The history of JLS dates back to the Gold Rush days when sailing ships carrying cargo, and ferry boats serving San Francisco and Oakland, docked at the foot of Broadway. In 1852, when the State Legislature incorporated the Town of Oakland, the first meeting of the board of Town Trustees was held in this location. JLS is named for American author Jack London, who wrote "The Sea Wolf" and many other popular books. Jack London spent much of his boyhood on the Oakland waterfront. The JLS area is steeped in a rich history of maritime activity.



Over the last 20 years, the Port has worked to strengthen JLS's traditional reputation as a restaurant, administration, and transportation center with the addition of complementary retail and entertainment venues. In March 2016, the Port approved the assignment of numerous long-term ground leases in JLS from Jack London Square Ventures to CIM Group. CIM Group is a nationally recognized, well-respected real estate investment company with substantial experience in developing and operating mixed-use complexes in urban areas throughout the U.S. The Port is currently working with CIM Group on the remaining Jack London Square Phase II properties (JLS Phase II Project). The JLS Phase II Project is designed to emphasize JLS's natural character, intensify the activity in JLS, and enhance the public access and pedestrian experience along the waterfront. Portions of the JLS Phase II Project are complete, and once fully constructed and operational, it is expected to provide important public benefits, including 650



**DRAFT June 1, 2017**

jobs during the construction phase (some have already materialized), up to 2,000 permanent jobs, an additional \$2.9 million in annual taxes for the City, and attractive new public waterfront access.

In FY 2018, CIM Group plans to continue efforts to attract tenants to the remaining available retail spaces in JLS and in a vacant retail space on 2<sup>nd</sup> Street, and complete the associated tenant improvement work for those tenants. CIM Group has secured new land-use entitlement approvals for two new proposed multi-family residential buildings adjacent to JLS on privately owned land, which, if constructed, will enhance and expand the foot traffic and 24-hour vitality of this important asset. CIM Group is also interested in pursuing development of the previously approved hotel on the final remaining vacant JLS Phase II ground lease parcel owned by the Port.

Despite a competitive real estate market, over 95% of the Port owned space at JLS is currently leased and several new tenants have opened, or are expected to open in FY 2018, including:

- A new Burmese restaurant located in the 66 Franklin Street building;
- A new retail venue, Oakland Supply Company;
- A new e-sports entertainment venue located on 2<sup>nd</sup> Street adjacent to the Amtrak Station; and
- A new casual restaurant eatery, Backyard Oakland, located at Oak Street and Embarcadero Road, which plans to commence construction in early summer 2017.



#### Brooklyn Basin (Formerly called Oak-to-Ninth Avenue)

Over the next few years, the Brooklyn Basin waterfront district, an older, underutilized industrial area centrally located on the Oakland Estuary minutes from JLS and downtown Oakland, is expected to undergo substantial redevelopment as a new residential neighborhood by a private developer, Zarsion-OHPI, LLC. The concept for the area is to transform the underutilized former maritime industrial district into a revitalized, mixed-use waterfront community known as Brooklyn Basin. The Brooklyn Basin Project site comprises approximately 64 acres of waterfront property bounded by Embarcadero Road, Oak Street, Tenth Avenue, and the Oakland Estuary. This project is expected to be constructed in four to six phases over the next three to ten years.

The Brooklyn Basin Project, will include housing (up to 3,100 units), up to 200,000 square feet of neighborhood serving retail space, public open space and parks (approximately 32 acres), and two renovated recreational marinas designed to maximize access to the shoreline and Oakland Estuary. Most of the pre-existing buildings on the site have now been demolished and the project infrastructure and a portion of the environmental remediation have been completed. Vertical construction of the first phase of residential units (approximately 450 units) and the first portion of the open space (approximately 8 acres) is scheduled to commence by summer 2017.

**DRAFT June 1, 2017**

The developers estimate that the Brooklyn Basin Project will be a \$1.5 billion investment. California Governor Edmund G. Brown Jr. estimates that the Brooklyn Basin Project, when complete, has the potential to deliver 10,000 short and long-term jobs.



Rendering of future Brooklyn Basin Project

### Parks and Public Access

The Port's waterfront has evolved through the decades to include industrial, commercial, and recreational uses as well as significant public access areas. In 1999, the Port and the City approved The Oakland Estuary Policy Plan, which established public access policies for 5.5 miles of urban waterfront located between the Seaport and Airport. See *Parks and Open Spaces* section under Environmental Stewardship for more information. Approximately 630 acres of public parks and public access are located within CRE's portfolio of properties, comprising over 75% of the CRE portfolio of holdings. While these open space properties do not generate revenue for the Port, they provide an important waterfront recreational amenity for the public throughout the region. In summer 2016, the Port executed several Right of Entry Agreements with the City to enable the City to construct the last few small waterfront Bay Trail segments on CRE properties where gaps in the trail exist today. The City intends to use Measure DD bond funds to construct these last few segments and plans to commence construction in summer 2017. Once finished, the Bay Trail will be constructed on all waterfront properties within the CRE portfolio.

**DRAFT June 1, 2017****COMMERCIAL REAL ESTATE OPERATIONS AT-A-GLANCE****Fast Facts**

<b>Land Area Managed:</b>	837 acres (approximate)
<b>Public Parking:</b>	1,346 Port-owned spaces in Jack London Square
<b>Gross Sales:<sup>1</sup></b>	\$126.3 million
<b>Public Access and Open Space:</b>	630 acres (approximate) 75% of total CRE land acreage

**Major Developments Planned or Constructed by Private Developer****Jack London Square Phase II Project:**

Retail/Entertainment/Office Space	300,000 sq ft	completed
Public Parking Garage	1,100 spaces	completed
Full Service Hotel	250 rooms	planned
Public Access Improvements throughout JLS		completed

**Brooklyn Basin (Formerly called Oak-to-Ninth Avenue):**

Residential Units	3,100 units	under construction
Commercial Space	200,000 sq ft	planned
Marinas	2	planned
Open Space	32 acres	under construction

**Current Tenant Mix**

Office Agreements	18
Restaurant Agreements	12
Retail Agreements	12
Warehouse Agreements	11
Hotel Agreements	5
Various Other Agreements	37 (Parking, Billboards, Radio Towers, Land, etc.)

**Land Use Standards<sup>2</sup>**

The majority of CRE properties are subject to City land use jurisdiction, which is unique to the CRE holdings, as well as Tidelands Trust restrictions.

The properties in the Oakland Airport Business Park are subject to Port land use authority.

A few of the other regulatory agencies which may have regulations applicable to CRE properties are:

San Francisco Bay Conservation and Development Commission	U.S. Coast Guard
Regional Water Quality Control Board – San Francisco Region	U.S. Army Corps of Engineers
California Air Resources Board	Federal Aviation Administration
California Department of Toxic Substances Control	

<sup>1</sup> Sales generated by Port tenants and subtenants.

<sup>2</sup> May also apply to Aviation and Maritime properties.

**DRAFT June 1, 2017**

## UTILITIES

The Port provides utility services (electrical, gas, water, and sewer service) to Port facilities (both tenant-operated and Port-operated) in support of the Port's business lines. Approximately 99% of Port utility revenues were related to the sale of electricity. Revenues and expenses associated with utility services are allocated to the Aviation, Maritime, and CRE Divisions, and capital projects related to utilities are included in the Port's 5-Year Capital Improvement Plan (CIP) related to these divisions.

The Port provides and sells natural gas on a very limited, pass-through basis from the local investor-owned utility, Pacific Gas and Electric Company (PG&E), which serves the Northern California region. The Port provides water distribution and sewer collection infrastructure; the water and sewer treatment services are provided by the East Bay Municipal Utility District (EBMUD). For the provision of electricity service, the Port acts as a municipal utility for the Airport and portions of the Seaport. At Seaport facilities not served by the Port acting as a municipal utility, electricity is provided by PG&E, either directly to the tenant or through the Port's distribution infrastructure at PG&E rates. The Port's CRE area is served entirely by PG&E.

## PORT SECURITY

Airport and Seaport security continue to be a national concern. As reported in the media, the Federal Bureau of Investigation (FBI) and U.S. Department of Homeland Security (DHS) assess that U.S. commercial aviation continues to be a key target for certain foreign terrorist organizations. Perimeter security and insider threats (those posed by airport employees with access to sensitive areas at airports) are two current issues that all U.S. airports are working on in order to enhance the multiple layers of security. The Port continues to work with the Transportation Security Administration (TSA) to introduce risk-based screening and security initiatives to OAK.

At the Seaport, recently completed or advanced security projects include: a new intrusion detection and reporting system, full implementation of a truck registry and identification system, Transportation Worker Identification Credential (access control) verifications, and geospatial mapping systems. In addition, the Port continues to manage the Comprehensive Truck Management Program (CTMP) and the Secure Truck Enrollment Program (STEP) registry. Looking ahead, the Port plans to expand its security system into newly developed areas and modernize existing core systems. The overall goal of these efforts is to support resilience and promote better information sharing among stakeholders during security events.



The Port partners with local, regional, State, and federal law enforcement agencies and the private sector for security purposes. At OAK, the Port partners with the TSA, CBP, and the Alameda County Sheriff's Office to implement TSA and other security-related regulations and best practices, and to evaluate and address law enforcement and security-related issues. The Airport also uses a private security firm for additional security needs. At the Seaport, the Port partners with the U.S. Coast Guard, CBP, California Highway Patrol, Oakland Police Department, Alameda County Sheriff's Office, and maritime tenants and customers to enhance and enforce security measures. Security requirements and regulations continue to evolve as various agencies, such as the DHS, respond to and learn from anticipated threats and security events. The cost of meeting security guidelines is rising as more requirements are put into place and as newly-installed infrastructure must now be operated and maintained at direct cost to the Port. For areas within the CRE portfolio, including public areas such as Jack London Square, the Port relies on private



**DRAFT June 1, 2017**

security firms to help ensure safety of the public and security of Port facilities, in cooperation with the Oakland Police Department.

Where applicable, the Port will continue to apply for federal and State grants to fund security system enhancements and to operate and maintain existing infrastructure protection systems.

## COMMUNITY CONNECTION

The Port embraces its role as a socially responsible enterprise and recognizes that its business and operations can profoundly affect the community and the environment, and takes special care to promote the economic, social, and environmental well-being of the City and its neighboring communities. The Port is constantly seeking to improve and enhance its community engagement, building on some of the following programs:



- For over 18 years, the Port has provided summer jobs, work experience, and exposure to careers for hundreds of students through its Internship Program. An internship can be a student's very first job or a stepping stone in a career path that can help open doors and opportunities for the future.
- The Port engages with the community year round at career fairs, business expos, community festivals, and community meetings. The Port connects with people through various other communications channels including online LiveChat, Port Hotline, blog, website, social media, and e-newsletter. The Port offers unique opportunities to learn about its Seaport operations through harbor tours, which are free and open to the public.
- To ensure that its economic benefits are shared in our communities, each year the Port provides community investments through a variety of grants for charitable and community-based organizations. In an effort to support the goals of its three enterprises: Airport, CRE, and Seaport; its grants are made in three program areas: (1) Economic Vitality; (2) Environmental Sustainability; and (3) Workforce Development and Education.
- The Port supports programs and activities that prepare individuals in the community to participate successfully in an increasingly global society. Specifically, the Port focuses on supporting programs and projects that expand access to high-quality education, and prepares and trains individuals for careers in Port-related industries. Examples of these activities include, but are not limited to, training and education in trade and logistics, STEM (science, technology, engineering and mathematics), aviation, and building-construction trades.
- The Port holds project-specific meetings in various locations across the City and the region to exchange information and obtain community input on the impact of various Port projects, job opportunities, and overall community benefits of the project.
- The Port works with its stakeholders, including business partners, customers, regulatory agencies, environmental organizations, and the local community to develop and implement environmental

**DRAFT June 1, 2017**

stewardship programs, which reduce air pollutant emissions from goods movement and promote a healthier environment and quality of life for the Port's neighboring communities.

- The Port created the Aviation Stakeholder Committee to assist in the development of the Master Plan for OAK. Since completion of the Master Plan in 2006, the committee continues to meet quarterly to strengthen the relationships between OAK and its neighboring communities.
- The Port participates in the Truckers Working Group (TWG), the longest-standing regular forum for community engagement on Port trucking issues. The TWG is attended primarily by the Port, motor carriers serving the Seaport, truck drivers, brokers, shippers, terminal operators, and ocean carriers. Community members and government/regulatory agencies also attend routinely.

## **ENVIRONMENTAL STEWARDSHIP**

### Energy Conservation at Port Headquarters

In March 2017, the Port headquarters located at 530 Water Street received its eleventh consecutive Energy Star certification. Every year, the U.S. Environmental Protection Agency (EPA) recognizes buildings nationwide for energy efficiency. This year, the Port headquarters was the only building in the City to receive this distinction. The Port headquarters is also one of only 70 buildings in the State to receive an Energy Star.

The Port headquarters ranked in the top 19% of EPA benchmarked facilities nationwide. To achieve an Energy Star award, a building must rank among the top 25% most energy efficient buildings in the market. Factors that affect scoring include building systems, operational hours, climate controls, equipment scheduling, and equipment monitoring.

### Energy

The Port is moving forward on several fronts to increase the use of renewable and alternative energy. In 2011, the Board adopted a Renewable Portfolio Standard (RPS) for the Port's wholesale electric power enterprise consistent with the State's RPS requirements contained in Senate Bill X1-2. The RPS establishes that 33% of the Port's electricity purchases for resale be from renewable sources of energy by the year 2020. In 2015, State legislature passed Senate Bill 350, which will increase RPS from 33% to 50%.

The California Energy Commission (CEC) currently accepts the following types of renewable electricity generation: solar, wind, geothermal, biogas, biomass, and small hydroelectric. The Port currently receives an allocation of hydroelectric generation from the Western Area Power Administration (WAPA), an agency of the U.S. Department of Energy (DOE). In November 2007, the Port and Sun Edison, LLC entered into a power purchase agreement for a solar power system located at OAK. The solar power system, which consists of nearly 4,000 panels, generates over 1,000,000 kilowatt hours of energy annually.



In September 2012, the Board approved a five-year agreement with the EBMUD Wastewater Treatment Plant to purchase its excess power generation. In October 2015, the Board reviewed the Port's renewable energy purchasing plan, including the comprehensive strategy to meet renewable energy requirements

**DRAFT June 1, 2017**

through 2030. The purchasing plan also lays the foundation for the Port to meet the recent increase in the RPS as mandated by Senate Bill 350. In July 2016, the Board approved a five-year extension with the EBMUD Wastewater Treatment Plant at a reduced rate. In March 2017, the Board approved a 20-year power purchase agreement with the Northern California Power Agency for a solar energy project which is expected to begin generating electricity between 2020 and 2021.

In addition to the RPS, the Port has an energy efficiency program which provides rebates to Port electric customers who make qualified energy upgrades on their facilities such as energy efficient lighting and energy efficient heating and cooling systems. The Port funds the rebates through the collection of an environmental surcharge from the customers' utilities rates and charges.

In 2011, the Port started the Energy Innovation Initiative as a forum for tenants, local businesses, and community partners. In February 2014, the Port began an Energy Innovation Study to better understand its current and forecasted energy usage, and to explore opportunities that would enhance long-term energy efficiency, reliability, and resiliency, as well as energy cost-savings. In January 2016, Port staff presented the Energy Innovation Study to the Board. The Energy Innovation Study identified five areas for further action:

- (1) **Prepare a Maritime Electrical Strategic Assessment:** Although the Energy Innovation Study provided an initial high-level assessment of baseline conditions and forecasted energy use based on existing data, more detailed studies of the existing infrastructure and operations are needed to effectively address changing conditions. This is particularly relevant in the maritime area where loads are projected to double in the next ten years. Port staff presented the Maritime Electric Strategic Assessment to the Board in December 2016.
- (2) **Evaluate System Reliability and Resiliency Measures:** By focusing on improving energy efficiency, increasing renewable power supplies and incorporating distributed and dispatchable generation, the Port can greatly enhance the sustainability and resiliency of its operations. This will not only help secure the competitiveness of the Port, it will also help reduce its environmental footprint and improve its ability to provide emergency support and critical resources to the surrounding community and the region. This effort was included in the Maritime Electric Strategic Assessment.
- (3) **Prepare a Cost of Service Study:** With the potential need to improve the Port's electrical transmission and distribution system, a Cost of Service Study is recommended to design rate structures for retail sales of electricity that is both competitive and provides adequate funds to meet infrastructure improvements. The Cost of Service Study for the Seaport is currently scheduled for completion by fall 2017. The Cost of Service Study for the Airport will be completed in FY 2018.
- (4) **Build on Existing Energy Efficiency Program Success and Explore Additional Opportunities for Energy Efficiency:** Future studies, including energy audits, are needed to evaluate additional energy efficiency opportunities throughout the Port.
- (5) **Convene Energy Innovation Advisory Team:** The team will be responsible for engaging with key internal and external stakeholders to develop partnerships; reviewing the key metrics and goals; advising on areas to improve energy management at the Port; and pursuing funding, including grants, to support studies, projects, and programs. This effort will begin once the Maritime electrical master plan and Cost of Service Study are complete.

**DRAFT June 1, 2017**

### Air Quality

The Port has numerous programs to improve air quality. These air quality programs anticipated the State's regulatory focus on addressing the effects of air pollutant emissions from goods movement on the environment and public health. The Port has initiated or participated in many emission reduction projects and mitigation programs, including cargo handling equipment retrofits and drayage truck replacements. The Port continues to seek efficiencies in the design of its infrastructure and facilities layout, such as marine terminals and access roads, to provide for less-congested operations at the Seaport and Airport, thereby contributing to a reduction in emissions.

In 2008, the Board voted unanimously to adopt and implement a Maritime Air Quality Policy Statement (Policy Statement), which established the goal to reduce the health risk related to diesel particulate matter (DPM) at the Seaport by 85% by 2020 (using 2005 emissions as the baseline). In support of the Policy Statement, in 2009, the Board adopted the Maritime Air Quality Improvement Plan (MAQIP), which represents the Port's comprehensive policy framework to improve air quality and public health related to emissions from Seaport operations. The MAQIP establishes an emissions reduction approach comprised of three strategies:

- (1) Target emissions reductions earlier than required by regulations;
- (2) Support enforcement of regulations; and
- (3) Target emissions reductions above and beyond those required by law.

At the Seaport, the Port is implementing several programs, such as the Comprehensive Truck Management Program (CTMP) and shore-side power connections for vessels at dock<sup>8</sup>, to assist tenants and business partners in their compliance with air quality regulations and to curb the effects of emissions from Seaport mobile sources on the natural and human environment. The results of the 2012 Seaport Air Emissions Inventory showed that, between 2005 and 2012, overall DPM emissions at the Seaport decreased by 70%. DPM emissions from drayage trucks fell by 88% from 16 tons in 2005 to two tons in 2012. These results directly reflect the Port's priority goal to reduce truck emissions. DPM emissions from ocean-going vessels, the largest source of emissions at the Seaport, decreased by 72%, primarily through the use of low-sulfur engine fuel. These results represent a major step forward in meeting the Port's 85% health risk reduction goal by 2020.

The Port conducted an updated Seaport Air Emissions Inventory in 2016 based upon Year 2015 data. Once again, the inventory showed that the Port is making significant progress towards its goal to reduce DPM emissions by 85%. Based upon Year 2015 data, the Port has reduced DPM emissions from drayage trucks by 98%; overall DPM emissions have decreased by 76%.

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<sup>8</sup> The provision of electric power to vessels at dock is commonly referred to as "shore power." Shore power allows a vessel to maintain essential vessel functions without running diesel-fueled auxiliary engines.



**DRAFT June 1, 2017**

The following table summarizes the Port's DPM emissions reductions from the baseline year 2005:

Year	DPM Reduction Ocean Going Vessels		DPM Reduction Drayage Trucks		DPM Reduction Overall
<b>2005</b>	-	209 tons	-	16 tons	-
<b>2012</b>	72%	57 tons	88%	2 tons	70%
<b>2015</b>	75%	52 tons	98%	0.4 tons	76%

At the Airport, the Port is involved with a variety of air quality initiatives that minimize the impact of airport operations on local air quality. On the landside, the Airport provides publicly available alternative fuel infrastructure, including a compressed natural gas (CNG) fueling station and 21 stalls dedicated to electric vehicle charging. On the airside, the Airport offers pre-conditioned air and 400Hz power at each of the 29 gates used by OAK's air carriers; this provides air carriers with an opportunity to minimize emissions from jet fuel while parked at the gate.

Port tenants make many of the decisions that affect air quality at OAK. The Port continues to build relationships with its local partners and work closely with its tenants to educate and implement a variety of innovative and environmentally beneficial programs. One such program is the electrification of ground support equipment (GSE). OAK's largest air carrier, Southwest Airlines, has electrified most of its fleet that operates out of Terminal 2. Efforts to electrify the GSE fleets that operate out of Terminal 1 are ongoing.

### Parks and Open Spaces

The Port's waterfront has evolved through the decades to include industrial, commercial, and recreational uses as well as significant public access areas. In 1999, the Port and the City approved The Oakland Estuary Policy Plan, which established public access policies for 5.5 miles of urban waterfront located between the Seaport and Airport. These are the major public access and open space areas along the Oakland waterfront:



Middle Harbor Shoreline Park

**DRAFT June 1, 2017**

- *Port View Park and Middle Harbor Shoreline Park (MHSP)* – These two parks, located in the Middle Harbor area of the Seaport, are physically connected. Together they comprise approximately 40 acres of park and open space property adjacent to two of the Seaport's large marine terminals. MHSP features include an informal amphitheater, significant open space and natural areas, interpretive exhibits, an observation tower, nature trails, views of the Bay and surrounding communities, and the City's sole major beach on San Francisco Bay. The park provides observation points where visitors can view active marine terminal operations. Port View Park has the added attractions of a play area for children, a small history museum, bayside walkways, and a public fishing pier.
- *Union Point Park* – Union Point Park comprises nine acres of property located in the San Antonio/Fruitvale district. It is leased by the Port to the City to create waterfront-oriented recreational open space in the vicinity of the San Antonio and Fruitvale neighborhoods, which both have a high population density of children.
- *Martin Luther King, Jr. Regional Shoreline* – This shoreline park comprises approximately 600 acres of land and water area in the Oakland Airport Business Park. The Port leases the acreage to the East Bay Regional Park District (EBRPD). The regional shoreline offers facilities for picnicking, fishing, hiking, bicycling, boating, viewing of natural habitat areas, and related bird watching.
- *Estuary Park and the Jack London Aquatic Center* – Estuary Park is a 7-acre City park located on property leased from the Port. The Port helped fund the construction of the Jack London Square Aquatic Center, a 16,000 square foot multi-purpose boathouse and community center located adjacent to Estuary Park at the entrance to the Lake Merritt Channel.
- *Portions of the San Francisco Bay Trail* – 19 miles of the 450 miles of San Francisco Bay Trail will be located in the City and Port when this regional public access project is completed. The Port has already constructed and improved numerous segments of the San Francisco Bay Trail between JLS and Embarcadero Cove, as well as other public access segments within JLS and connector trails, such as the Class I bicycle trail along Ron Cowan Parkway at OAK. Significant portions of the Bay Trail have also been constructed by the Port to link bicycle and pedestrian access between the cities of Emeryville, Alameda, Oakland, and San Leandro.
- *Brooklyn Basin* – Construction of approximately 32 acres of public open space on land leased from the Port is planned as part of the mixed-use development project at Brooklyn Basin. Construction of the park and open space areas is anticipated to occur in phases. When completed, the park and open space areas will provide significant new public access for the Brooklyn Basin area of the Oakland Estuary for Oakland residents and visitors.

#### Wetlands and Habitat Restoration

The Port is committed to providing open space and, where feasible, habitat restoration as part of its development activities and operations. As the cost of maintaining public parks, open space, and bicycle areas increases significantly, the Port works actively with local businesses, government agencies, and community partners to maintain these areas for public access and enjoyment at financially-sustainable levels.

Over the years, the Port has been directly involved in several regional wetland restoration projects, including Arrowhead Marsh at Martin Luther King Jr. Regional Shoreline, Sonoma Baylands in Sonoma County, Damon Slough Seasonal Wetlands within the Airport Business Park, and the Hamilton Base Wetlands Restoration Project in Marin County. As part of the recently completed Runway Safety Area Project at OAK,

**DRAFT June 1, 2017**

the Port conducted an extensive wetlands and endangered species mitigation effort to address potential impacts to approximately 15 acres of fragmented seasonal wetlands, and approximately seven acres of potential and marginal foraging habitat for the Ridgway Rail (formerly designated as the California Clapper Rail). The Port worked closely with the private sector and state and federal regulatory agencies to identify suitable wetland mitigation areas, with a preference for enhancement and/or expansion of already established mitigation sites. The Port continues to support U.S. Army Corps of Engineers activities to complete the 180-acre Middle Harbor Enhancement Area (MHEA), a former U.S. Navy vessel berthing area in the Middle Harbor, located adjacent to MHSP. The MHEA is a model project which demonstrates the benefits of reuse of dredged materials (from the Port's 50-foot harbor deepening/dredging project) to restore in-bay shallow water tidal habitat areas.

### Green Design

The Port includes green building features in its new developments and facilities, where practicable. The concourse at OAK Terminal 2, for example, was awarded the Leadership in Energy and Environmental Design (LEED) Silver Certification by the U.S. Green Building Council, and was the first airport passenger terminal in the U.S. to receive the "Silver" level of this prestigious award. The Airport's new 236-foot air traffic control tower, which opened in June 2013, has been designed to LEED-Gold standards and incorporates significant green systems, including solar power, geothermal heating, and rainwater storage. The design and construction of OAK's Terminal 1 Retrofit and Renovation Program is following LEED principles and standards; portions of the project are expected to seek LEED certification after completion.

### Storm Water Management

The Port is implementing the requirements of the State Phase II Municipal Storm Water Permit. The permit requires the Port to develop post-construction standards to address storm water discharges from new development and redevelopment projects. In August 2015, the Port developed a 2015 Post-Construction Storm Water Design Manual to provide guidance for planning, implementing and maintaining effective control measures to improve water quality and mitigate impacts from storm water and non-storm water discharges from land development in the Port area.

## **SOCIAL RESPONSIBILITY**

The Port administers policies and programs that contribute to the vitality of the City and surrounding communities. The Port aims to facilitate inclusion, fairness, equity, and access to economic opportunities, programs, and services of the Port for the people and businesses in the Port community. Port activities include:

- Administering and managing federal, State, local and Port policies and regulatory requirements as they relate to economic and equal employment opportunity;
- Ensuring that the Port and its contractors, vendors, and tenants fulfill their regulatory compliance requirements (i.e., federal, State, local, and Port mandates); and
- Strengthening the Port's commitment to strategic collaboration and outreach with key stakeholders (Port staff, contractors, tenants, vendors, and community partners and residents) to promote equitable workforce development strategies and maximize economic opportunity and development in the Port's community.



**DRAFT June 1, 2017**

The Social Responsibility Division (SRD) is responsible for defining, developing, and administering a comprehensive community education and outreach program in support of Port projects that are most critical to the Port's mission, goals, and objectives.

### Equitable Contracting at the Port

In 1997, the Board adopted its Non-Discrimination and Small Local Business Utilization Policy (NDSLBP) to ensure non-discrimination in Port contracting processes, and to facilitate small and local business participation in Port public works and services contracts. The NDSLBP provides preference points for local, small, and very small businesses bidding on certain Port contracts; sets aside contracts for small businesses; and facilitates technical assistance to ensure equitable access to Port contracting opportunities. The NDSLBP is a Port policy and can be amended at any time by the Board. To support the NDSLBP provisions and process, the Board approved a formal Port certification of small and local businesses. Preference points and/or discounts are awarded to bidders and proposers utilizing Port-certified firms in the Local Impact Area (LIA)/Local Business Area (LBA).<sup>9</sup>

In 2002, the Board adopted the Alternative Project Delivery Approach (APDA) within the NDSLBP. This collaborative policy introduced new strategies for facilitating local and small business participation when the project and specifications are not sufficiently defined to allow bidders to identify subcontractors, suppliers, or sub-consultants (e.g. alternative project delivery methods). The APDA pairs minimum local and small business utilization requirements with financial incentives for exceeding goals and penalties for underachieving.

In order to comply with requirements and assurances for grants awarded by the FAA, the Maritime Administration, and the Federal Highway Administration, pursuant to U.S. Department of Transportation, 49 Code of Federal Regulation, Parts 23 and 26, the Port must establish and administer Disadvantaged Business Enterprise (DBE) programs including developing a goal, developing the methodology for determining the goal, and monitoring and reporting requirements to determine DBE attainment. The Port is responsible for developing the DBE program plans, outreach plans, goals and methodologies specific to each grant as set forth by the operating agency, administering the programs once approved by the Board and the granting agency, and monitoring and reporting on DBE attainment.

### Living Wage and Local Workforce Utilization at the Port

In 2002, the voters of the City passed Measure I, adding to the City Charter Section 728 (§728) entitled, Living Wage and Labor Standards at Port-Assisted Businesses. §728 requires Port Aviation and Maritime businesses<sup>10</sup> that meet specified minimum threshold requirements to pay all non-exempt employees a Living Wage rate established by City Ordinance and adjusted annually based on the Consumer Price Index (CPI) for the San Francisco, City and San Jose area. The Living Wage rate as of July 1, 2016, is set at \$12.93 per hour for employees who receive health benefits and \$14.86 per hour for employees who do not receive health benefits. §728 provides covered employers with incentives to provide health benefits to employees, establishes a worker retention policy, and requires applicable employers to provide access to

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<sup>9</sup> The LIA includes the cities of Oakland, Alameda, Emeryville, and San Leandro. The LBA includes all the cities in Alameda and Contra Costa counties.

<sup>10</sup> Generally includes Port contractors/consultants (except contractors providing public works construction) and Port financial assistance recipients with contracts that exceed certain minimum thresholds. Also applies to contractors/consultants hired by Port tenants. §728 applies to Maritime and Aviation-related work; it does not apply to Commercial Real Estate related work.

**DRAFT June 1, 2017**

payroll records in order to monitor compliance and to allow labor organization representatives to access the workforce. The provisions of §728 are incorporated in Port Ordinance Number 3666 as amended by Ordinance 3719.

The Port has also developed a number of strategic partnerships to stimulate local workforce utilization. Some of those efforts include partnering with the City and the West Oakland Job Resource Center, the Cypress Mandela reentry program, and the community through the Maritime Aviation Project Labor Agreement (MAPLA) discussed below.

#### Maritime and Aviation Project Labor Agreement

The MAPLA was adopted by the Board in 2000 and covers capital projects at the Airport and the Seaport. The MAPLA is designed to ensure project labor stability, the employment of Port LIA/LBA residents (Local Hire Program), and the utilization of Port-certified small businesses.<sup>11</sup> The MAPLA also maintains a Social Justice Trust Fund, a mechanism used to fund local training and employment programs that has been emulated nationally. Initially adopted for five years, the MAPLA has been extended several times. A new MAPLA was adopted by the Board in 2016 and is in effect through January 31, 2021. The MAPLA to date has provided:

- Over 4.7 million craft hours, resulting in 2.8 million LIA/LBA resident craft hours and 1.4 million LIA resident craft hours. 59% of the total craft hours were performed by LIA/LBA workers, well over the 50% goal established in the MAPLA;
- Over \$151 million in wages were earned by LIA/LBA residents, \$72 million went to LIA residents; and
- Contractor contributions of 15 cents per craft hour to the Social Justice Trust Fund has resulted in over \$420,000 in grants distributed to community groups working to achieve the Port's local-hire goals.

The Port and its labor and community partners have benefitted from the MAPLA. The Port has enjoyed more than 16 years of labor peace and the local community has gained jobs and experience through the local hiring goals requirements of the MAPLA. In addition, through the MAPLA's Social Justice Trust Fund, local contractors have become proactive in investing in community training programs.

#### **ECONOMIC IMPACT**

The Port is a driver of economic activity and growth in the region. Economic development is at the center of the Port's work, primarily driven by cargo activity at the Seaport and passenger and air freight activity at OAK, as well as through various leasing activity in the CRE area. The Port, along with its tenants and customers:

- Supports more than 73,000 jobs across the region (direct, indirect, and induced);
- Impacts nearly 827,000 jobs across the country (trade, travel, and tourism related-jobs);
- Directly generates more than \$600 million in annual local, State, and federal taxes; and
- Directly generates more than \$4.4 billion in personal income.

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<sup>11</sup> The MAPLA sets forth specific goals for the hiring of residents from the Port's LIA and LBA. For more information, please visit <http://www.portofoakland.com>.

**DRAFT June 1, 2017**

Trade, travel, and tourism related jobs generated by the Port have numerous positive characteristics, including:

- The majority of Port-related jobs are above-average wage jobs;
- Port-related jobs generally cannot be outsourced overseas; and
- Port opportunities range from entry-level to advanced-degree jobs.

The Port's economic impact numbers are based on the last comprehensive study of Port activity levels, which was conducted in 2011 based on 2010 calendar year data, as summarized in the following table.

### CY 2010 ECONOMIC IMPACTS OF THE PORT

ECONOMIC IMPACT	AVIATION	MARITIME	COMMERCIAL REAL ESTATE	TOTAL PORT
<b>REVENUE (\$ millions)</b>				
Business Revenue	\$4,216	\$2,108	\$500	\$6,824
Personal Income	\$1,868	\$2,222	\$316	\$4,406
Federal/State/Local Taxes	\$350	\$233	\$33	\$616
Local Purchases	\$271	\$522	\$58	\$851
<b>DIRECT AND OTHER JOBS</b>				
<i>Types of Bay Area jobs:</i>				
Direct	7,680	10,927	3,336	21,943
Induced	5,578	11,600	1,433	18,611
Indirect	<u>1,408</u>	<u>6,306</u>	<u>868</u>	<u>8,582</u>
TOTAL	14,666	28,833	5,637	49,136
<b>VISITOR INDUSTRY JOBS</b> (direct, induced, and indirect)	24,428	---	---	24,428
<b>RELATED JOBS</b>	383,010	443,988	---	826,998

Source: The Economic Impact of the Port of Oakland – 2010, Martin Associates.

Notes: Definitions of economic impact categories can be found in the *Glossary* section; aviation revenue impact figures are a combination of on-site Airport generated impacts and visitor industry impacts.

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**DRAFT June 1, 2017**

## **FINANCIAL POLICY GUIDELINES**

### **General Guidelines**

- The basis on which the budget is prepared is consistent with the basis of accounting used, as promulgated by the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 1700.116. The operating budget is presented on the accrual basis of accounting, wherein revenues are recognized when they are earned, not when received, and expenses are recognized when they are incurred, not when paid.
- The Port adopts a balanced budget in which total sources exceed total expenditures.
- All known expected revenues and expenses are reflected.
- Expected future revenue, which may not have signed contracts, is budgeted to the extent such expectation is reasonable.
- Incremental revenue from new capital projects, some of which are completed and others of which are expected to be completed within the budget period, are included as revenue only to the extent such expectation is reasonable.
- The capital planning process and development of the 5-Year CIP is primarily focused on regulatory compliance, life and safety, and revenue maintenance projects. The initial fiscal year Capital Budget is primarily limited to projects for which the Port is already contractually obligated. Additional projects are subject to Board approval during the course of the fiscal year.
- Funding sources for operating and capital expenditures are identified, including Port-generated cash, debt proceeds, grant proceeds, Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs).
- The City Charter requires the Port to send its adopted budget to the City by the third Monday in July.

### **Bond Covenant**

- The Port's Bond Indentures require a minimum debt service coverage ratio (DSCR) of 1.25 for Senior Lien and 1.10 for Intermediate Lien debt service.

### **Board Reserves**

- Port Operating Reserve Fund established at 12.5% of operating expense budget.
- Port Bond Reserve Fund (separate from Debt Service Reserve Funds held by Trustee) established at \$30 million.
- Capital Reserve Fund established at \$15 million.

### **Financial Reporting Practice**

- Financial statements are prepared in accordance with accounting principles generally accepted in the U.S., as promulgated by GASB and audited by independent external auditors.
- A Comprehensive Annual Financial Report (CAFR) is prepared which includes: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows, and other statistical data.

**DRAFT June 1, 2017**

- Monthly unaudited financial statements and quarterly capital budget variance reports are prepared and distributed to the Board to monitor performance and determine if corrective action is needed.
- The external auditors prepare an annual management letter addressed to the Board.
- The Port is an independent department of the City, and accounted for as a discrete component unit of the City. The Port maintains separate accounting records and issues a CAFR that is incorporated into, but reported separately, in the CAFR of the City.

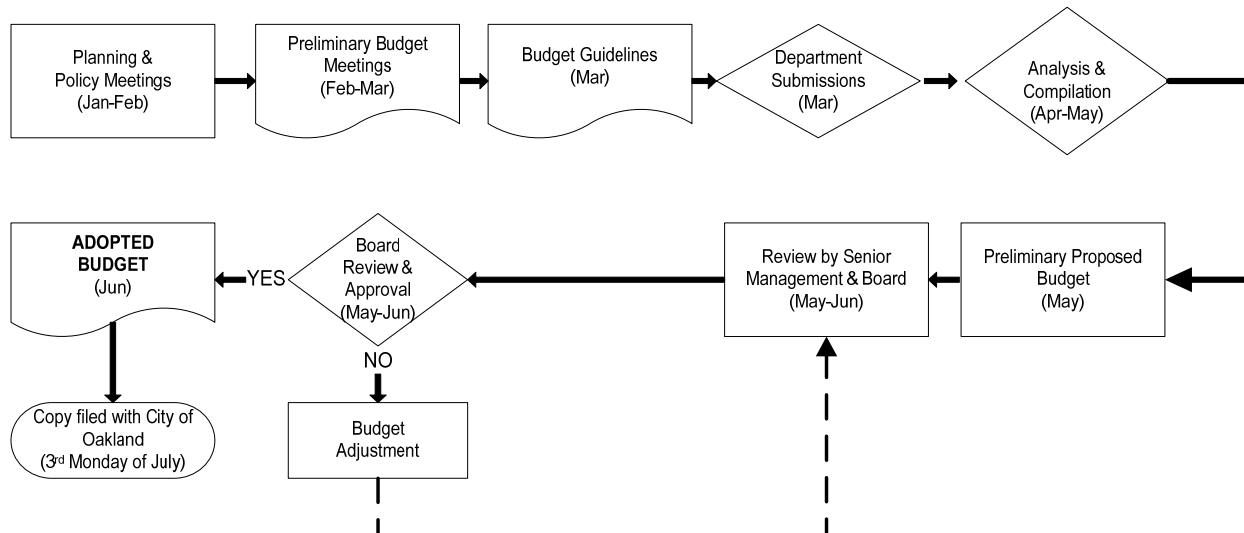
**DRAFT June 1, 2017**

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**DRAFT June 1, 2017**

## OPERATING BUDGET PROCESS



The Port's operating budget is an essential and major component in the Port's overall planning and management process. The operating budget is a plan for each division's operating revenues and expenses and for Port-wide non-operating income and expenses. The Port's operating budget is intended solely for planning purposes, and nothing in this operating budget should be construed as an assurance of actual results. Actual results will vary and may vary materially.

Preliminary budget policies are determined early in the cycle by senior management. Preliminary budget meetings provide the opportunity for discussion and review of operational needs, and proposed increases in revenue and expenses. Budget instructions, forms, and worksheets based upon the outcome of these meetings are distributed in March to all divisions responsible for budget preparation. Each division is also responsible for presenting a seasonally-adjusted proposed budget.

The upcoming fiscal year operating budget is adopted through resolution of the Board. The operating budget may only be amended by a resolution of the Board. During the fiscal year, monthly variance reports are produced comparing actual monthly results to seasonally-adjusted monthly budgets. Copies of the adopted budget are provided to various City officials in accordance with the City Charter.

In conjunction with the development of its operating budget, the Port also develops financial forecasts for the subsequent four years, which are provided for informational and conceptual purposes only. Actual results will vary and may vary materially.

**DRAFT June 1, 2017****FY18 OPERATING BUDGET TIMELINE**

ACTIVITY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Budget Guidelines - preparation and distribution								
Baseline budget preparations; Divisions submit revenue and operating budgets								
Preliminary operating budget analysis and compilation, including iterations								
Distribute Draft Budget Summary Book for Review by Divisions and Executive Management								
Budget Summary Book goes for Board Approval, June 22. Upon approval, budget delivered to City								
Budget Summary Book production, distribution, and upload to Port's website								
Budget Detail Book preparation, distribution and upload to Port's intranet								

**DRAFT June 1, 2017**

## OPERATING BUDGET HIGHLIGHTS AND ASSUMPTIONS

### OBJECTIVES

- Develop a balanced budget in which total sources exceed total expenditures.
- Develop an operating budget that achieves a minimum aggregate debt service coverage ratio (DSCR)<sup>12</sup> of 1.40x per the Port Debt Policy.
- Maintain a minimum General Fund cash balance at the end of each fiscal year of at least \$100-125 million,<sup>13</sup> also taking into account future anticipated needs such as capital improvements and accrued liabilities.

### GENERAL

- FY 2018-22 Operating Revenues for Aviation, Maritime, Commercial Real Estate, and Utilities are based on divisional input incorporating known market and competitive factors, existing contracts, and the anticipated execution of future contracts. Projected revenues assume that Port tenants will comply with their contract obligations.
- FY 2018 Operating Expenses incorporate known and anticipated cost increases and decreases, with an emphasis on controlling costs to the extent possible.
- FY 2019 through FY 2022 Operating Expense incorporate known and anticipated cost increases and decreases but in general, assumes that expenses unless otherwise identified will grow by 2.5% per annum.
- No assurances can be given that projections and future results discussed in the operating budget will be achieved. Future results, for example, could be adversely impacted by such factors as (i) decreases in revenues and/or business levels, (ii) unanticipated increases in expenditures, (iii) tenant defaults (iv) unavailability of assumed funding sources, (v) construction delays or cost overruns, or (vi) other adverse and unforeseen events or conditions affecting the Port.

### FY 2018 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

*Note: All comparisons are to FY 2017 Budget, unless otherwise noted. In addition, for budget purposes, utility revenues are highlighted separately and not included in Aviation, Maritime, and CRE revenues. Year-end financial statements allocate utility revenues to the 3 business lines.*

- Port-wide Operating Revenues are projected to be \$368.8 million; \$25.7 million or 7.5% higher than FY 2017 Budget. In comparison to FY 2017 anticipated operating revenues of \$357.6 million, FY 2018 revenues are anticipated to be higher by \$11.2 million, or 3.1%.
- Projected Aviation Revenues of \$193.7 million are \$13.4 million or 7.4% higher in comparison to FY 2017 Budget. In comparison to FY 2017 anticipated revenues of \$185.1 million, FY 2018 projected revenues are \$8.6 million or 4.7% higher.

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<sup>12</sup> Aggregate DSCR is Net Revenues (as defined in the Bond Indentures) divided by debt service on Senior and Intermediate Bonds, Department of Boating and Waterways Loan and Commercial Paper Notes (not repaid with Passenger Facility Charges).

<sup>13</sup> Excluding Board Reserves. See *Debt Service and Cash Flow* section.

**DRAFT June 1, 2017**

- Total passengers are projected to be 13 million or 3.8% higher than FY 2017 anticipated passengers of 12.5 million.
- Terminal rent revenues are projected to increase \$3.9 million primarily due to higher rates resulting from increased operating costs.
- Landing Fees are anticipated to increase by \$3.4 million due to higher rates resulting from increased operating costs.
- Ground transportation revenues are projected to increase by \$3.8 million as Transportation Network Company (TNC) revenues are anticipated to increase \$3.6 million (\$1.8 million increase compared to anticipated FY 2017 actuals) along with anticipated increases of \$0.3 million in hotel, parking lot, and airport shuttle trip fees partially offset by lower taxi and limousine revenues of \$0.1 million.
- Other terminal revenues are projected to increase \$2.7 million due to increased rates and higher passenger volumes.
- Terminal concession revenues are projected to increase \$1.3 million due to higher passenger volume and spend rate.
- Parking revenues are projected to increase \$0.3 million due to anticipated higher revenue per transaction.
- Car rental contracts renew at lower Minimum Annual Guarantee (MAG) resulting in a reduction of \$3.1 million.
- Lease revenues are projected to decrease \$0.2 million primarily due to hangar vacancies of \$0.7 million partially offset by scheduled lease adjustments.
- Projected Maritime Revenues of \$145.4 million are \$11.2 million or 8.3% higher in comparison to FY 2017 Budget. In comparison to FY 2017 anticipated revenues of \$143.1 million, FY 2018 projected revenues are \$2.3 million or 1.6% higher.
  - Full twenty-foot equivalent units (TEUs) are projected to be 1.86 million or 6.4% higher compared to FY 2017 Budget and 2% higher than FY 2017 anticipated actuals.
  - FY 2017-18: Marine Terminal revenue is projected to decrease \$1.7 million from FY 2016-17 anticipated actuals primarily due to an anticipated shift of cargo between terminals (shifts of cargo impact revenue above the MAG). Relative to FY 2016-17 Budget, marine terminal revenues are anticipated to increase \$4.5 million for the same reason.
  - Revenue from other (non-marine terminal) tenants is projected to be approximately \$3.6 million higher than FY 2017 anticipated actuals and approximately \$6.4 million higher than FY 2017 Budget, primarily due to additional revenue from short-term property agreements that support marine terminal operations and provide ancillary services (including truck parking). The additional revenue results from a combination of new agreements, extended agreements, and scheduled rate increases (including a Tariff rate increase).
- Projected CRE Revenues of \$16.2 million are \$0.6 million or 3.8% higher in comparison to FY 2017 Budget. In comparison to FY 2017 anticipated revenues of \$16.1 million, FY 2018 projected revenues are 0.6% higher.
  - CRE revenues are anticipated to be higher due to increases in parking revenues, percentage rents, and minimum rent adjustments due to lease renewals and scheduled rent adjustments.

**DRAFT June 1, 2017**

- Projected Utilities Revenues of \$13.6 million are \$0.5 million or 3.5% higher in comparison to FY 2017 Budget. In comparison to FY 2017 anticipated revenues of \$13.4 million, FY 2018 revenues are 1.6% higher.
  - Shore power revenues are projected to increase 11% or \$0.5 million in comparison to FY 2017 Budget and 3% in comparison to FY 2017 anticipated actuals.
  - Retail Electricity revenues in the marine terminal area are projected to decrease \$0.6 million in comparison to FY 2017 Budget due to a change in billing process from direct billing to tenants to an assessment in Maritime space assignment agreements. Wholesale electricity revenues are estimated to increase \$0.4 million.

### **FY 2018 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS**

*Note: All comparisons are to FY 2017 Budget, unless otherwise noted.*

- Port-wide Operating Expenses before Depreciation and Amortization are budgeted to increase by \$19.0 million or 9.5%.
- Personnel costs are budgeted to increase by \$5.1 million or 4.8%; personnel costs represent 51% of the Operating Expense Budget before Depreciation and Amortization.
  - 502 Full-time Equivalents (FTEs); unchanged from FY 2017 Budget.
  - Salaries are higher by \$2.6 million or 4.7% due to cost of living adjustments, step increases, and a decrease in the assumed vacancy factor from 35 to 25 FTEs.
  - California Pension Employees Retirement System (CalPERS) employer pension contribution rate will increase from 34.2% to 34.9% on July 1, 2017, resulting in a \$1.3 million or 6.9% increase. The Port's budget reflects estimated pension payments to CalPERS and does not reflect the impact of GASB No. 68 (*Accounting and Financial Reporting for Pensions*) adjustments related to pension accruals.
  - FY 2018 medical costs are projected to increase nominally due to a 1.8% decrease in Kaiser medical premium rates on January 1, 2017, however, medical premiums are assumed to increase 6% on January 1, 2018.
  - Retiree medical costs are projected to increase \$0.5 million based on the most recent actuarial study.
  - Overtime and vacation accrual higher by \$0.2 million based on recent experience.
  - Training costs for portwide facilities personnel higher by \$0.1 million due to staff turnover and new systems implementations.
  - Workers' compensation budgeted to increase \$0.1 million based on most recent actuarial study projecting claims and costs.
  - Vacancy factor of 25 FTEs included due to retirements, normal attrition, and normal lags in hiring; results in reduction of overall personnel costs of \$4.5 million.
- Contractual services are budgeted to increase \$13.6 million or 19.1%. General and Administrative expenses are budgeted to increase \$1.2 million or 5.9%. Supplies are budgeted to decrease 1.1%.

**DRAFT June 1, 2017**

- Focusing on asset maintenance, major maintenance in the Maritime area increases by \$4.8 million primarily for pavement and roofing repairs; in addition, Maritime infrastructure assessment studies budgeted at \$1.4 million.
- Security costs at the Airport increase by \$3.4 million or 15%
  - Additional private security costs of \$1.3 million driven by higher terminal passenger activity.
  - Alameda County Sheriff costs increase by \$1.1 million due to contractual rate increases and greater demand due to higher activity at the Airport.
  - Increase in Customs Border Patrol (CBP) services of \$1.0 million to accommodate new international airline service offerings.
- Maintenance dredging costs increase by \$1.0 million due to higher volumes.
- Maritime truck parking operations increase by \$0.9 million due to higher volume, offset by higher truck parking revenues.
- Airport parking lot, ground transportation dispatching, and shuttle bus operations increase by \$0.5 million due to contractual cost escalations and higher passenger volume.
- Airport repairs and maintenance budgeted \$0.4 million higher.
- Enterprise Resource Planning (ERP) technical upgrade and support for upcoming labor negotiations budgeted in aggregate at \$1.0 million (one-time).
- All other expenses in aggregate increasing \$0.5 million of 1.0%.

#### **FY 2018 NON-OPERATING REVENUE & EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS**

*Note: All comparisons are to FY 2017 Budget, unless otherwise noted.*

- Interest income of \$2.3 million is budgeted \$0.6 million higher as interest rate on Port funds assumed to be 0.75% compared to 0.50% in FY 2017 Budget.
- Interest expense of \$46.4 million, which includes letter of credit (LOC) fees and accounting accruals, is lower by \$1.5 million, or 3.1%, due to scheduled repayment of bond principal and lower LOC fees.
  - The Port's revenue bonds and Department of Boating and Waterways (DBW) loan bear interest at fixed rates ranging from 3.0% to 5.125%.
  - The Port assumes a 1.35% interest rate for its outstanding Commercial Paper (CP) Notes.
- Passenger Facility Charges (PFCs) of \$25.2 million is \$1.6 million or 6.7% higher compared to FY 2017 Budget, reflecting projected passenger activity level for FY 2018. PFCs are approved by the FAA and used to fund eligible capital improvement for specific projects at OAK. See *Capital Budget and 5-Year Capital Improvement Plan* section.
- Customer Facility Charges (CFCs) of \$6.0 million is \$0.5 million or 7.6% lower compared to FY 2017 Budget due to lower anticipated rental car transactions. In comparison to FY 2017 anticipated actuals, FY 2018 budgeted CFCs is 2.5% higher. CFCs are used to reimburse rental car and shuttle bus operating costs and to fund improvements of the rental car facility at OAK. See *Capital Budget and 5-Year Capital Improvement Plan* section.
- Other income (expense) reflects \$2.4 million in payments to the City for general services and Lake Merritt maintenance and \$0.8 million in retroactive CalPERS retirement contribution for Airport servicemen.



**DRAFT June 1, 2017**

- Gain (loss) on sale (disposal) of capital assets reflect the one-time sale of Port property to the City for \$1.9 million, partially offset by loss on demolition of capital assets budgeted at \$0.2 million.
- Grants from government agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures. See *Capital Budget and 5-Year Capital Improvement Plan* section.

#### **FY 2019 TO 2022 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS**

- Port-wide Operating Revenues projected to increase from \$368.8 million in FY 2018 to \$411.9 million in FY 2022, for a compound annual growth rate of 2.8%.
  - Aviation Revenues projected to increase from \$193.7 million in FY 2018 to \$220.6 million in FY 2022 for a compound annual growth rate of 3.3%.
    - Enplanements assumed to increase 3.5% in FY 2019 and 2.5% per year thereafter.
    - Landing fees and terminal rent revenues are projected to increase due to forecasted increases in operating costs.
    - Parking and ground transportation revenues increase at a rate similar to forecasted passenger growth.
    - Lease revenues projected in accordance with existing or anticipated lease terms.
- Maritime Revenues projected to increase from \$145.4 million in FY 2018 to \$158.9 million in FY 2022, for a compound annual growth rate of 2.3%.
  - Full TEUs assumed to increase 2% per year.
  - An annual increase to certain Tariff rates, commensurate with inflation, is assumed for certain tenancies, including truck parking operations.
  - Marine terminal revenues are projected in accordance with existing or anticipated lease terms, and with the anticipated distribution of cargo throughput among terminals. Leases due to expire are generally expected to renew at similar terms.
  - Certain property rental agreements are assumed to terminate, as new long-term tenants commence construction and/or operations of new facilities, resulting in a \$4.5 million decrease to non-marine terminal revenues in FY 2019, compared to FY 2018. Thereafter, revenue from non-marine terminal tenants is relatively flat through FY 2022.
  - Revenue from ancillary services (including truck parking) is projected to increase by 3% per year.
  - Revenue assumed in FY 2018 through FY 2022 from one terminal operator as reimbursement for costs incurred by the Port to raise certain gantry cranes. Crane raising costs are included in the Port's 5-Year CIP.
- CRE Revenues projected to increase from \$16.2 million in FY 2018 to \$18.0 million in FY 2022, for a compound annual growth rate of 2.7%. CRE revenues assume projected increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments, partially offset by vacancy potential.
- Utilities Revenues projected to increase from \$13.6 million in FY 2018 to \$14.4 million in FY 2022 for a compound annual growth rate of 1.5%. Utility rates for electricity-retail, electricity-wholesale, shore power, gas, and water (sewer) are assumed to increase 3%, 0%, 0%, 3%, and 5%, respectively.

**DRAFT June 1, 2017**

Electricity-wholesale and shore power usage are anticipated to increase 1% and 3% while electricity-retail, gas, and water (sewer) usage are anticipated to be stable.

#### **FY 2019 TO 2022 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS**

- Operating Expenses before Depreciation and Amortization assumed to increase from \$219.6 million in FY 2018 to \$252.1 million in FY 2022, for a compound annual growth rate of 3.5% per year from FY 2018 through FY 2022.
- Personnel costs assumed to increase at a compound annual growth rate of 5.6% from FY 2018 through FY 2022.
  - FTEs assumed unchanged at 502.
  - Medical premiums assumed to increase 6.0% per year during this timeframe.
  - Retiree medical costs are assumed to grow at 4%; closed amortization funding methodology utilized in actuary studies.
  - CalPERS employer pension contribution rate assumed to be 34.9% in FY 2018 rising to an estimated 51.6% in FY 2022 based on CalPERS projections reflecting updated mortality study and reduction in discount rate from 7.5% to 7.0%. The Port's budget reflects estimated pension payments to CalPERS and does not reflect the impact of GASB No. 68 (*Accounting and Financial Reporting for Pensions*) adjustments related to pension accruals.
  - Adjustments to salaries based on approximately CPI.
  - Assume vacancy factor of 25 FTEs due to retirements, normal attrition, and normal lags in hiring; results in reduction of personnel costs of approximately \$4.8 million in FY 2019, increasing to \$5.7 million in FY 2022.
- Contractual services, general and administrative costs, and supplies take into account anticipated changes, but otherwise assume expenses will grow at 2.5% per year. Contractual services, general and administrative costs, and supplies are assumed to grow at a compound annual growth rate of 0.8%, 2.6%, and 3.3% respectively for this time period.
- Utility cost of sales for electricity-retail, electricity-wholesale, shore power, gas, and water (sewer) are assumed to increase 3%, 1%, 3%, 3%, and 5%, respectively. Utility cost of sales increase is offset by higher utility revenues.

#### **FY 2019 TO 2022 NON-OPERATING REVENUE & EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS**

- Interest income is anticipated to increase as interest earnings rate assumed to increase to 1.30%, 1.55%, 1.75%, and 1.90%, respectively, in FY 2019 through FY 2022.
- Interest expense anticipated to decrease due to scheduled repayment of bond principal offset by higher assumed interest rate on Port's outstanding CP Notes of 1.55%, 1.80%, 2.0%, and 2.15%, respectively, in FY 2019 through FY 2022 and projected outstanding CP Notes balances based on the 5-Year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.
- PFCs projected to increase at the same rate as projected passenger growth rate.
- CFCs projected to increase proportionate to the projected passenger growth rate and assumed to continue past current legislative expiration date of December 31, 2018.

**DRAFT June 1, 2017**

- Other income (expense) assumes \$2.4 million for City general services and Lake Merritt maintenance increases 2.5% annually, and \$0.8 million in retroactive CalPERS retirement contributions for Airport servicemen increases to \$0.9 million in FY 2022 based on established repayment schedule. The retroactive CalPERS contribution ends in FY 2022.
- Loss on abandoned and demolished assets budgeted at \$0.6 million in FY 2019 and \$0.3 million annually thereafter based on assumed expectations.
- Grants from government agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures and is based on the 5-Year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.

**DEPRECIATION AND AMORTIZATION**

The budget for Depreciation and Amortization reflects the anticipated rate of depreciation on the existing asset base based on anticipated in-service date and life expectancy of capital assets.

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2016 THROUGH 2022**  
(In \$Thousands)

Division	Actual 2015-16	Budget 2016-17	Budget 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Variance 2018B vs. 2017B B/(W)	% Variance 2017B B/-W
<b>Operating Revenue</b>									
Aviation	\$ 168,810	\$ 180,278	\$ 193,701	\$ 202,277	\$ 205,955	\$ 213,357	\$ 220,592	\$ 13,423	7.4%
Maritime	138,780	134,175	145,374	145,819	150,343	156,427	158,909	11,199	8.3%
CRE	16,095	15,576	16,166	16,477	16,763	17,111	17,981	590	3.8%
Utilities	14,353	13,141	13,596	13,704	13,942	14,187	14,437	455	3.5%
<b>Total Operating Revenue</b>	<b>338,038</b>	<b>343,169</b>	<b>368,836</b>	<b>378,277</b>	<b>387,003</b>	<b>401,082</b>	<b>411,919</b>	<b>25,667</b>	<b>7.5%</b>
<b>Operating Expenses</b>									
Aviation	(79,606)	(93,884)	(98,650)	(102,866)	(106,294)	(110,758)	(114,796)	(4,766)	-5.1%
Maritime	(11,069)	(11,494)	(11,548)	(11,931)	(12,250)	(12,751)	(13,266)	(53)	-0.5%
Commercial Real Estate	(6,260)	(6,534)	(6,705)	(6,943)	(7,176)	(7,423)	(7,658)	(171)	-2.6%
Engineering & Environmental	(27,244)	(34,273)	(41,809)	(42,272)	(42,992)	(45,441)	(45,748)	(7,536)	-22.0%
Utilities Cost of Sales	(7,113)	(7,657)	(7,085)	(7,211)	(7,339)	(7,471)	(7,606)	572	7.5%
Executive	(4,226)	(5,664)	(5,911)	(6,204)	(6,514)	(6,850)	(7,151)	(247)	-4.4%
Board	(456)	(561)	(589)	(610)	(643)	(678)	(714)	(28)	-5.0%
Audit	(1,085)	(1,440)	(1,461)	(1,549)	(1,643)	(1,746)	(1,835)	(21)	-1.5%
Legal	(3,773)	(4,891)	(5,015)	(5,276)	(5,551)	(5,849)	(6,115)	(124)	-2.5%
Finance & Administration	(16,069)	(19,187)	(19,866)	(19,722)	(20,914)	(22,309)	(23,322)	(679)	-3.5%
Non-Departmental Expenses	(29,971)	(23,776)	(29,933)	(30,585)	(31,649)	(32,750)	(33,917)	(6,157)	-25.9%
Absorption of Labor & Overhead to Capital Assets	5,715	8,701	8,926	9,194	9,470	9,754	10,047	225	2.6%
Depreciation & Amortization	(104,077)	(105,220)	(110,225)	(115,213)	(120,637)	(121,431)	(119,872)	(5,005)	-4.8%
<b>Total Operating Expenses</b>	<b>(285,234)</b>	<b>(305,879)</b>	<b>(329,871)</b>	<b>(341,187)</b>	<b>(354,131)</b>	<b>(365,702)</b>	<b>(371,955)</b>	<b>(23,992)</b>	<b>-7.8%</b>
<b>Operating Income (A)</b>	<b>52,803</b>	<b>37,291</b>	<b>38,966</b>	<b>37,090</b>	<b>32,871</b>	<b>35,380</b>	<b>39,964</b>	<b>1,675</b>	<b>4.5%</b>
<b>Non-Operating Items</b>									
Interest Income	2,149	1,691	2,306	3,625	4,134	4,750	5,078	615	36.3%
Interest Expense	(49,889)	(47,910)	(46,422)	(44,219)	(41,565)	(38,968)	(36,335)	1,488	3.1%
Passenger Facility Charges (PFC's)	22,929	23,664	25,238	26,119	26,792	27,465	28,151	1,574	6.7%
Customer Facility Charges (CFC's)	5,939	6,536	6,036	6,247	6,408	6,569	6,733	(500)	-7.6%
Customer Facility Charge Expenses	(4,307)	(4,856)	(5,094)	(5,247)	(5,404)	(5,566)	(5,733)	(238)	-4.9%
Gain (Loss) on Sale (Disposal) of Capital Assets	(629)	(300)	1,720	(600)	(300)	(300)	(300)	2,020	673.3%
Other Income (Expenses)	38,944	(3,153)	(3,242)	(3,333)	(3,426)	(3,523)	(3,622)	(89)	-2.8%
<b>(B)</b>	<b>15,136</b>	<b>(24,328)</b>	<b>(19,458)</b>	<b>(17,406)</b>	<b>(13,363)</b>	<b>(9,574)</b>	<b>(6,029)</b>	<b>4,871</b>	<b>20.0%</b>
<b>Capital Contributions</b>									
Grants from Government Agencies (C)	34,849	33,895	61,059	14,658	23,024	6,590	8,000	27,164	80.1%
<b>CHANGE IN NET ASSETS (A+B+C)</b>	<b>\$ 102,788</b>	<b>\$ 46,857</b>	<b>\$ 80,567</b>	<b>\$ 34,342</b>	<b>\$ 42,532</b>	<b>\$ 32,397</b>	<b>\$ 41,935</b>	<b>\$ 33,710</b>	<b>71.9%</b>
Net Assets, Beginning of the Year	1,039,758	1,114,339	1,161,196	1,241,763	1,276,105	1,318,637	1,351,034	46,857	4.2%
<b>Net Assets, End of the Year</b>	<b>\$ 1,142,546</b>	<b>\$ 1,161,196</b>	<b>\$ 1,241,763</b>	<b>\$ 1,276,105</b>	<b>\$ 1,318,637</b>	<b>\$ 1,351,034</b>	<b>\$ 1,392,969</b>	<b>\$ 80,567</b>	<b>6.9%</b>

Senior Lien Debt Service Coverage Ratio	3.30	3.26	3.34	3.36	3.32	2.46	2.16
Intermediate Lien Debt Service Coverage Ratio	1.61	1.46	1.50	1.52	1.62	1.67	1.68
Aggregate Debt Service Coverage Ratio	1.54	1.39	1.43	1.45	1.55	1.59	1.60
Funded FTE's (Full-Time Equivalent)	459	502	502	502	502	502	502

**OPERATING EXPENSES BY CATEGORY**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2016 THROUGH 2022**  
(\$ Thousands)

	Actual 2015-16	Budget 2015-16	Budget 2016-17	Budget 2017-18	Variance 2018B vs. 2017B/(W)	% Variance 2018B vs. 2017B/(W)	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22
			[A]	[B]	[B-A=C]					
Personnel Services	\$93,592	\$102,265	\$106,812	\$111,913	(\$5,101)	(4.8%)	\$118,250	\$125,174	\$132,680	\$139,299
Contractual Services	62,316	65,535	71,103	84,676	(13,572)	(19.1%)	84,421	84,425	86,925	87,506
Supplies	4,914	4,326	4,323	4,276	47	1.1%	4,420	4,529	4,791	4,860
General & Administrative	19,474	19,558	19,819	20,983	(1,164)	(5.9%)	21,236	21,876	22,546	23,256
Utilities	7,113	7,053	7,657	7,085	572	7.5%	7,211	7,339	7,471	7,606
Departmental Credits	(6,252)	(10,260)	(9,056)	(9,286)	230	2.5%	(9,563)	(9,848)	(10,142)	(10,444)
<b>Operating Expenses before Depreciation</b>	<b>181,157</b>	<b>188,478</b>	<b>200,659</b>	<b>219,646</b>	<b>(18,987)</b>	<b>(9.5%)</b>	<b>225,974</b>	<b>233,494</b>	<b>244,271</b>	<b>252,083</b>
Depreciation & Amortization	104,077	106,530	105,220	110,225	(5,005)	(4.8%)	115,213	120,637	121,431	119,872
<b>Total Operating Expenses</b>	<b>\$285,234</b>	<b>\$295,008</b>	<b>\$305,879</b>	<b>\$329,871</b>	<b>(\$23,992)</b>	<b>(7.8%)</b>	<b>\$341,187</b>	<b>\$354,131</b>	<b>\$365,702</b>	<b>\$371,955</b>



**DRAFT June 1, 2017**

## **PORT ORGANIZATION**

The chart on page 53 illustrates the Port's organizational structure.

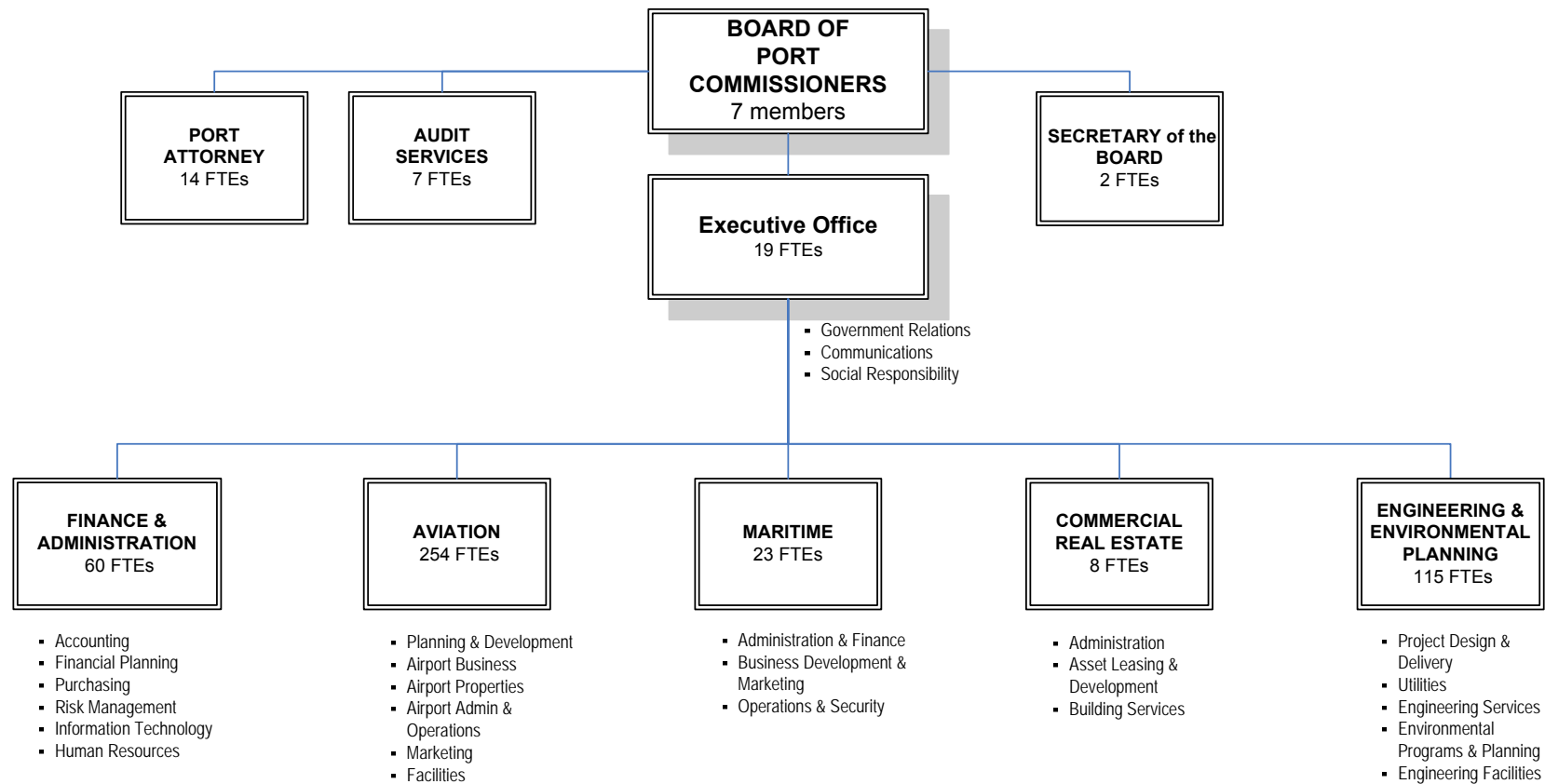
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**DRAFT June 1, 2017**

# PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2017-18

502 Funded FTEs (Full-Time Equivalents)



**DRAFT June 1, 2017**

## STAFF SUMMARY

The Port continues to evaluate its staffing needs in order to ensure operational and customer needs are achieved while balanced against available financial resources.

In FY 2016, 5 additional FTEs were added to support the Port's operational needs and capital program. In FY 2018, staffing levels remain constant; however, the vacancy factor is assumed to decrease from 35 FTEs to 25 FTEs, given anticipated staffing attrition due to retirement and separation, and lags in the hiring process. A summary of staffing by Division is provided in the chart on page 55.

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**DRAFT June 1, 2017**

**STAFF SUMMARY**  
**(FULL-TIME EQUIVALENT)**

	Actual 2015-16	Budget 2015-16	Budget 2016-17	Budget 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2020-21
<b><u>FTEs</u></b>								
Aviation	232	255	254	254	254	254	254	254
Maritime	20	23	23	23	23	23	23	23
Commercial Real Estate	8	8	8	8	8	8	8	8
Engineering and Environmental Planning	102	115	114	115	115	115	115	115
Finance and Administration	58	60	61	60	60	60	60	60
Executive Office	17	18	19	19	19	19	19	19
Port Attorney	13	14	14	14	14	14	14	14
Audit Services	7	7	7	7	7	7	7	7
Office of Board of Port Commissioners	2	2	2	2	2	2	2	2
<b>Total FTEs<sup>1</sup></b>	<b>459</b>	<b>502</b>	<b>502</b>	<b>502</b>	<b>502</b>	<b>502</b>	<b>502</b>	<b>502</b>

<sup>1</sup> FY 2015-16 Total FTEs represents the number of FTEs on payroll on June 30, 2016.

## PERSONNEL COSTS BY DIVISION<sup>1</sup>

(\$ Thousands)

	Actual 2015-16	Budget 2015-16	Budget 2016-17	Budget 2017-18 <sup>2</sup>	Projected 2018-19 <sup>2</sup>	Projected 2019-20 <sup>2</sup>	Projected 2020-21 <sup>2</sup>	Projected 2021-22 <sup>2</sup>
Aviation	35,722	42,051	43,925	44,232	46,835	49,618	52,646	55,326
Maritime	3,979	4,876	5,114	4,861	5,160	5,478	5,824	6,128
Commercial Real Estate	1,312	1,452	1,529	1,571	1,668	1,770	1,882	1,980
Engineering & Environmental Planning	18,533	21,547	23,380	23,633	25,033	26,555	28,213	29,672
Executive Office	3,405	3,973	4,317	4,092	4,342	4,606	4,894	5,147
Board of Port Commissioners	376	420	434	450	478	507	539	567
Audit Services	1,152	1,320	1,405	1,425	1,513	1,606	1,708	1,797
Port Attorney	3,017	3,484	3,591	3,716	3,944	4,186	4,450	4,682
Finance and Administration	9,557	10,963	11,698	11,469	12,172	13,072	14,059	14,792
Non-Departmental <sup>3</sup>	16,539	12,179	11,418	16,464	17,106	17,774	18,464	19,207
<b>TOTAL PERSONNEL SERVICES<sup>4</sup></b>	<b>93,592</b>	<b>102,265</b>	<b>106,812</b>	<b>111,913</b>	<b>118,250</b>	<b>125,174</b>	<b>132,680</b>	<b>139,299</b>

<sup>1</sup> Includes, but not limited to: salaries, fringe benefits, retiree medical costs, workers' compensation, overtime, temporary help, wellness program, professional development, continuing education, training, college tuition program, and meal allowance.

<sup>2</sup> Vacancy factor of 25 FTEs assumed. Vacancy factor of 13 FTEs is allocated among the divisions and vacancy factor of 12 FTEs is included in Non-Departmental. Actual vacancy savings will be recognized in the divisions where the vacancies occur.

<sup>3</sup> Non-Departmental personnel costs include, but are not limited to, retiree medical expenses, workers' compensation costs, vacation and sick leave accruals, and unemployment insurance; offset by a staffing vacancy factor of 12 FTEs, which has not been allocated to a specific division for budget purposes. Actual vacancy savings will be recognized in the divisions where the vacancies occur.

<sup>4</sup> Totals may not add up due to rounding.



DRAFT June 1, 2017

**PERSONNEL COSTS**

(\$ Thousands)

	Actual 2015-16	Budget 2015-16	Budget 2016-17	Budget 2017-18
Salaries and Wages	51,660	53,100	55,408	58,024
Pension	10,190	17,889	19,363	20,675
Health Care – Retirement	13,653	13,010	13,653	14,199
Health Care – Active	8,597	9,116	9,662	9,747
Overtime	4,376	2,940	2,797	2,934
Workers' Compensation	876	2,414	2,306	2,444
Vacation/Sick Leave	1,589	1,500	1,400	1,442
Medicare	829	770	803	841
Life, Disability, Accident Insurance	647	640	659	693
Training and Education	460	546	498	616
Other	714	339	262	297
<b>Total Personnel Costs<sup>1</sup></b>	<b>93,592</b>	<b>102,265</b>	<b>106,812</b>	<b>111,913</b>
FTEs	459 <sup>2</sup>	502	502	502
Vacancy Factor	n/a	30	35	25

<sup>1</sup> Totals may not add up due to rounding.

<sup>2</sup> On June 30, 2016, there were 459 FTEs on payroll. 502 FTEs with a vacancy factor of 30 FTEs were budgeted in FY 2015-16.

**DRAFT June 1, 2017**

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# AVIATION DIVISION



# AVIATION AREA MAP

**DRAFT June 1, 2017**



**DRAFT June 1, 2017**

## **AVIATION DIVISION FUNCTION**

The Aviation Division manages, promotes, and develops air transportation facilities for the use of the traveling public and tenants, in a manner that prioritizes safety and maximizes OAK's contribution to the City's economy and that of the surrounding region.

### **AIRPORT OPERATIONS**

Airport Operations provides Airport safety, security, crash, fire and emergency medical services, assigns and manages aircraft gates, manages noise and environmental issues related to the Airport, coordinates with Aviation Facilities Maintenance and Planning and Development regarding the maintenance and improvement of Airport roadways, and manages ground transportation required for support, safety, and security of passenger and visitor activities in the terminal complex. Staff inspects and maintains the Airport's operational facilities to ensure compliance with prescribed FAA standards. Operations also ensures terminal facilities serve Airport customer needs by monitoring checkpoint and ticket counter activities and through regular updating of signage and other wayfinding mechanisms.

### **LANDSIDE OPERATIONS**

Landside Operations manages airline terminal facility operations, interacts with airlines for space requirements, ensures that terminal facilities serve Airport customer needs, and coordinates with TSA regarding the security checkpoint screening area modifications, walkways, and grounds.

### **AVIATION SECURITY**

Aviation Security administers security, which includes Airport-worker training, background vetting, and the issuance of identification badges. This department also develops contingency plans for security-related emergencies at OAK, administers contracts with outside agencies to provide law enforcement and security guard services, manages/operates the Airport's automated access control system, and coordinates with the TSA on terminal and perimeter security matters and the operation of the security checkpoints.

### **AVIATION IT**

Aviation IT plans, implements, and maintains special systems and telecommunications, and provides support and guidance to the Aviation Division, airlines, and other Airport stakeholders. Special systems supported include the common use ticket counters and gate systems, flight information displays, the Airport operations database, resource management system, terminal paging, and all passive and active infrastructure.



**DRAFT June 1, 2017****AVIATION FACILITIES MAINTENANCE**

Aviation Facilities Maintenance performs maintenance, repair and construction of all Airport grounds, facilities and physical plant components for the entire 2,600 acre campus, and ensures compliance with numerous federal safety and security regulations and standards. This includes building exteriors, pavement (including runways, taxiways, and roadways), drainage, fences, dikes, and landscaping; all utility systems including electrical power distribution, water, and sewer systems; and the interior of the Airport terminals which includes electrical, lighting, heating, ventilating and air conditioning systems, baggage handling systems, elevators, escalators, and passenger loading bridges.

**AIRPORT BUSINESS**

Airport Business prepares the Aviation Division's operating revenue and expense budgets, passenger airline traffic, operations and financial forecasts; identifies potential enhancements to non-airline revenue; and manages Airport parking and bus shuttle services and facilities.

**AVIATION MARKETING AND COMMUNICATIONS**

Aviation Marketing and Communications develops, executes, and manages programs intended to maintain and grow passenger and cargo traffic levels at OAK. The department also manages aviation communications with media and related stakeholders, associated social media programs and Airport/airline customer relations programs, including quarterly Airport user satisfaction surveys, and the volunteer Airport information booth program.

**AVIATION PLANNING AND DEVELOPMENT**

Aviation Planning and Development evaluates and identifies future Airport operating requirements; develops the facility plans and capital improvements as well as funding programs to meet those needs; and manages implementation of all approved aviation capital projects in an effort to achieve scope, schedule, and budget objectives.

**AIRPORT PROPERTIES**

Airport Properties manages the leasing, acquisition, and disposition of Airport properties, including all commercial airline agreements; principal land and building leases; in-terminal concession, telecommunication services and rental car agreements; as well as agreements with fixed base operators, the airline fuel consortium, aircraft ground handlers, cargo operators, outdoor advertising, and a municipal golf course. This department also coordinates with Aviation Planning and Development for the redevelopment of non-terminal facilities, including new air cargo facility, potential on-airport hotel and other underutilized assets.

**DRAFT June 1, 2017****AVIATION DIVISION****ACTIVITY LEVELS**

(Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Total							
Passengers	11,615	12,240	13,030	13,486	13,823	14,168	14,523
% Growth	8.0%	5.4%	6.5%	3.5%	2.5%	2.5%	2.5%
Enplaned							
Passengers	5,812	6,120	6,515	6,744	6,912	7,084	7,262
% Growth	8.1%	5.4%	6.5%	3.5%	2.5%	2.5%	2.5%
Airline Seats	14,816	15,975	16,869	17,459	17,896	18,343	18,807
% Growth	6.6%	7.8%	5.6%	3.5%	2.5%	2.5%	2.5%
Landing							
Weight	9,830,873	10,323,800	11,158,019	11,344,010	11,594,607	11,809,675	12,062,534
% Growth	7.2%	5.0%	8.1%	2.6%	2.2%	1.9%	2.1%
Parking							
Transactions	976	1,016	962	962	962	962	962
% Growth	3.6%	4.1%	(5.3%)	0.0%	0.0%	0.0%	0.0%

- Anticipated FY 2016-17 passengers are 12.5 million, or 2.5% higher than FY 2016-17 Budget. Budgeted FY 2017-18 passengers are 3.8% higher than anticipated FY 2016-17 passengers.
- FY 2019-22: Passengers are assumed to grow at 3.5% in FY 2018-19, then 2.5% thereafter.
- Anticipated FY 2016-17 airline seat capacity is 16.1 million, or 0.9% higher than FY 2016-17 Budget. Budgeted FY 2017-18 seat capacity is 4.2% higher than anticipated FY 2016-17 seat capacity.
- Anticipated FY 2016-17 landing weight is 10.5 million or 1.6% higher than FY 2016-17 Budget. Budgeted FY 2017-18 landing weight is 6.4% higher than anticipated FY 2016-17 landing weight.
- Anticipated FY 2016-17 parking transaction volume is 962,000, or 5.3% lower than FY 2016-17 Budget. Budgeted FY 2017-18 transactions are assumed to be the same as anticipated FY 2016-17 parking transactions.

**DRAFT June 1, 2017**

## AVIATION DIVISION OPERATING REVENUES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Airfield Revenue	31,957	34,370	38,208	42,127	43,136	44,802	46,855
Terminal Rent	34,656	39,334	43,204	44,023	44,693	47,109	49,650
Terminal Concessions	8,762	9,150	10,418	10,836	10,743	11,280	11,554
Other Airport Rentals	29,876	30,962	30,782	31,619	31,961	32,602	32,732
Parking and Ground Access	36,827	39,244	43,331	44,803	45,955	47,110	48,286
Car Rental	14,606	14,389	11,292	11,292	11,292	11,292	11,292
Other Terminal	9,741	10,631	13,348	14,197	14,590	15,377	16,185
Fueling Revenue	2,335	2,207	3,114	3,376	3,581	3,781	4,034
Miscellaneous & Other Charges	343	111	124	124	124	124	124
Subtotal	169,103	180,398	193,821	202,397	206,075	213,477	220,712
Bad Debt Reserve	(293)	(120)	(120)	(120)	(120)	(120)	(120)
<b>TOTAL</b>	<b>168,810</b>	<b>180,278</b>	<b>193,701</b>	<b>202,277</b>	<b>205,955</b>	<b>213,357</b>	<b>220,592</b>

- FY 2016-17: Higher airfield revenue and terminal rent reflect higher operating expenses. Increases in terminal concessions and parking and ground access revenue are due to forecasted passenger growth. Other Airport rentals increase based on contractual lease adjustments. Car rental revenue flat to FY 2015-16 actual. Other terminal revenue increase due to higher customs room use and baggage fees. Lower fueling revenue due to decreased operating costs.
- FY 2017-18: Higher airfield revenue and terminal rent reflect higher operating expenses. Increases in terminal concessions due to forecasted passenger growth. Parking revenue and ground access increase as higher revenue per transaction offsets lower parking transactions and continued growth in TNC service. Other Airport rentals flat due to hangar vacancies offset by contractual lease adjustments. Car rental revenue based on MAG of new concession agreement. Other terminal revenue increase due to increased rates and passenger volume.
- FY 2019-22: Airfield revenue and terminal rent increases reflect higher anticipated operating expenses. Increases in terminal concessions are due to forecasted passenger growth offset by certain leases renegotiated at less favorable terms. Other Airport rentals increase based on contractual lease adjustments. Parking and ground access revenues increase based on forecasted passenger growth. Other terminal revenue increases due to increased baggage and customs room use.

**DRAFT June 1, 2017**

## AVIATION DIVISION OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	35,722	43,925	44,232	46,835	49,619	52,645	55,326
Contractual Services	39,582	44,389	48,769	50,259	50,781	52,094	53,318
Supplies	2,469	2,338	2,411	2,471	2,533	2,596	2,661
General & Administrative	1,833	3,232	3,238	3,301	3,361	3,423	3,491
<b>TOTAL</b>	<b>79,606</b>	<b>98,884</b>	<b>98,650</b>	<b>102,866</b>	<b>106,294</b>	<b>110,758</b>	<b>114,796</b>
<i>FTEs (headcount)</i>	<i>232</i>	<i>254</i>	<i>254</i>	<i>254</i>	<i>254</i>	<i>254</i>	<i>254</i>

### **Personnel Services**

- FY 2016-17: Salaries adjusted by approximately CPI and the transfer of 1 FTE to the Executive Office. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. Overtime decreased \$1.7 million. FY 2015-16 Actual includes a \$2.7 million pension expense credit due to GASB 68.
- FY 2017-18: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 5.5 FTEs or \$0.8 million assigned directly to Aviation.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

### **Contractual Services**

- FY 2016-17: \$4.8 million higher due to an increase in Alameda County Sheriff and security expense of \$1.2 million, consulting of \$1.1 million, parking lot and shuttle bus operations of \$1.0 million, ARFF of \$0.8 million, repairs and maintenance expense of \$0.4 million, and ground transportation management of \$0.2 million.
- FY 2017-18: \$4.4 million higher mainly due to increases in private security and CBP of \$2.3 million to handle increased terminal traffic; Alameda County Sheriff of \$1.1 million; parking, ground transportation, and shuttle buses of \$0.5 million; disposal services of \$0.2 million due to higher passenger volume; and repairs and maintenance related expenses of \$0.2 million.
- FY 2018-19: \$1.5 million higher mainly due to increases in security and Alameda County Sheriff of \$0.6 million, consulting of \$0.4 million, parking and ground transportation management of \$0.3 million, and AARF of \$0.2 million.
- FY 2019-20 through FY 2021-22: Expenses reflects anticipated changes, otherwise, assumes expenses will increase approximately 2.5% each year.

**DRAFT June 1, 2017****Supplies**

- FY 2016-17: Lower by \$0.1 million due to reduced maintenance materials, office, and mechanical supplies.
- FY 2017-18: Increase of \$0.1 million due to higher cost of janitorial, maintenance, and office supplies.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**General & Administrative**

- FY 2016-17: Higher by \$1.4 million due to higher marketing of \$1.5 million and exhibits and displays of \$0.2 million, partially offset by lower advertising of \$0.3 million.
- FY 2017-18: Expenses increase slightly due to travel related costs.
- FY 2018-19 through FY 2021-22: Cooperative marketing budgeted at \$0.8 million annually based on future service routes while all other expenses assumed to increase approximately 2.5% each year.

# MARITIME DIVISION

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DRAFT June 1, 2017





# MARITIME AREA MAP

**DRAFT June 1, 2017**



**DRAFT June 1, 2017**

## **MARITIME DIVISION FUNCTION**

The Maritime Division manages, promotes, and develops maritime-related logistics facilities, services, and programs, which stimulate international trade and generate revenue to support the mission of the Port, and to promote economic growth in the Bay Area, Northern California, and beyond.

### **MARITIME ADMINISTRATION AND FINANCE**

In coordination with other Maritime departments, Maritime Administration and Finance develops and manages all Maritime Division programs in order to achieve the Division's stated functions and objectives. This department provides general oversight and management direction for Division personnel and operations. Specifically, the department provides:

- Administration of major lease agreements;
- Facility pricing, contract negotiations and compliance, billing, Tariff administration, and support for auditing activities;
- Financial analysis and projections, including budget development and statistical data collection;
- Planning, project management, and certain grant administration;
- Coordination with other divisions on environmental, legislative, and regulatory initiatives; and
- Day-to-day management of administrative matters, as well as long-term operational and strategic planning.

### **MARITIME BUSINESS DEVELOPMENT AND MARKETING**

Maritime Business Development and Marketing develops, recommends and implements a broad range of targeted marketing and business development programs to address the commercial, operational, and strategic needs of the seaport and its customers. Specifically, the department:

- Seeks opportunities in domestic and foreign markets; formulates and executes market entry strategies; gathers and analyzes statistical data and other market intelligence;
- Actively markets vacant land within the Seaport area and manages the business development process from solicitation of the optimum business partner to execution of final agreements;
- Identifies, targets, and influences cargo flows using intermodal services and other multimodal logistics capabilities to promote Oakland as a preferred gateway to/from foreign and domestic markets; and
- Manages a marketing communication program that focuses on strategies to grow market share through differentiation of Oakland from other gateways.

**DRAFT June 1, 2017****MARITIME OPERATIONS**

Operations is responsible for day-to-day knowledge of field conditions and liaison with maritime tenants and agency partners such as U.S. Customs and Border Protection (CBP), San Francisco Bar Pilots, and Marine Exchange of the San Francisco Bay Region. This department:

- Markets and administers short-term lease agreements for various facilities;
- Coordinates rail access and planning;
- Ensures that Port Tariff requirements and marine terminal lease terms are enforced;
- Identifies maintenance needs and helps ensure that Seaport facilities are maintained appropriately;
- Coordinates with tenants on various operational matters, such as traffic management and extended terminal gate hours; and
- Manages various projects that are operationally focused.

**MARITIME SECURITY**

Maritime Security is responsible for day-to-day liaison with maritime tenants and agency partners for matters related to the security of Seaport operations and facilities. This department:

- Acts as a liaison between the U.S. Coast Guard, CBP, local law enforcement, and the Port's marine terminal operators for security regulations and enforcement strategies;
- Ensures compliance with all mandates of the Federal Maritime Transportation Security Act and U.S. Coast Guard regulations related to maritime security;
- Monitors security and communications systems and coordinates patrol services in response to Seaport incidents;
- Plans, develops, and evaluates Seaport security programs and public safety activities in the Seaport area; and
- Manages federal and State grant programs and projects specific to security initiatives.

**DRAFT June 1, 2017**

## MARITIME DIVISION

### ACTIVITY LEVELS

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Number of Vessel Calls	1,687	1,632	1,706	1,706	1,706	1,706	1,706
Total TEUs <sup>1</sup>	2,342,681	2,270,122	2,414,460	2,462,750	2,512,005	2,562,245	2,613,493
Total TEUs Growth	1.7%	(3.1%)	6.4%	2.0%	2.0%	2.0%	2.0%
Full TEUs	1,784,387	1,748,867	1,860,062	1,897,264	1,935,210	1,973,914	2,013,395
Full TEUs Growth	4.1%	(2.0%)	6.4%	2.0%	2.0%	2.0%	2.0%

<sup>1</sup> TEU – Twenty-Foot Equivalent Unit. Does not include restows and shifts.

- Changes in activity are not always directly correlated with changes in revenue because of Minimum Annual Guarantees (MAGs) and other terms of lease agreements.
- The number of cargo vessel calls is difficult to project in future years. As larger vessels are deployed, cargo growth could be accommodated on fewer vessels. For simplicity, vessel calls are held flat from FY 2017-18 through FY 2021-22.
- Anticipated FY 2016-17 Vessel Calls are estimated at 1,689. Vessel calls in FY 2017-18 are based on FY 2016-17 anticipated with a 1% increase.
- Anticipated FY 2016-17 Total TEUs is approximately 2.4 million TEUs, or 4.3% higher than FY 2016-17 Budget. Budgeted FY 2017-18 Total TEUs is 2% higher than anticipated FY 2016-17 Total TEUs.
- Anticipated FY 2016-17 Full TEUs is approximately 4.3% higher than FY 2016-17 Budget. Budgeted FY 2017-18 Full TEUs is 2% higher than anticipated FY 2016-17 Full TEUs.
- FY2019-22: Full and Total TEUs growth assumed at 2% annually.

**DRAFT June 1, 2017**

## MARITIME DIVISION

### OPERATING REVENUES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Marine Terminals	113,177	103,963	108,478	112,745	114,724	119,418	120,891
Rail Terminals	2,194	2,495	2,765	2,876	2,991	3,110	3,235
Other Revenue	24,160	27,967	34,381	30,448	32,878	34,149	35,033
Miscellaneous	(727)	0	0	0	0	0	0
Subtotal	138,804	134,425	145,624	146,069	150,593	156,677	159,159
Bad Debt Reserve	(24)	(250)	(250)	(250)	(250)	(250)	(250)
<b>TOTAL</b>	<b>138,780</b>	<b>134,175</b>	<b>145,374</b>	<b>145,819</b>	<b>150,343</b>	<b>156,427</b>	<b>158,909</b>

- FY 2016-17: Budgeted Marine Terminal revenues are \$9.2 million lower due to the termination of marine terminal agreements at Berths 20-26. Other Revenue is higher by \$3.8 million primarily due to anticipated increases in short-term property agreements. Anticipated FY 2016-17 total revenue is \$143.1 million, or 6.6% higher than FY 2016-17 Budget, primarily due to over-MAG revenue from one marine terminal that accommodated the majority of the cargo displaced from the Berths 20-26 marine terminal and higher than short-term property agreements.
- FY 2017-18: Marine Terminal revenue is projected to decrease \$1.1 million from FY 2016-17 anticipated actuals primarily due to an anticipated shift of cargo between terminals (shifts of cargo impact revenue above the MAG). Relative to FY 2016-17 Budget, marine terminal revenues are anticipated to increase \$4.5 million because of cargo shifts. Revenue from Rail Terminals is based on anticipated increases to rates per current or anticipated lease terms. Other Revenue is projected to be approximately \$3.8 million higher than FY 2016-17 anticipated actuals and approximately \$6.4 million higher than FY 2016-17 Budget, primarily due to additional revenue from short-term property agreements for maritime support services (including truck parking). This additional revenue results from a combination of new agreements, extended agreements, and scheduled rate increases (including a Tariff rate increase).
- FY 2019-22: Marine Terminals revenue is based on forecasted cargo activity growth of 2%, scheduled rent increases per current or anticipated lease terms, and anticipated shifts of cargo between terminals. Rail Terminal and Other Revenue is based on scheduled or anticipated lease terms and Tariff increases.

**DRAFT June 1, 2017**

## MARITIME DIVISION OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	3,978	5,114	4,861	5,160	5,478	5,824	6,128
Contractual Services	5,097	5,576	5,866	5,948	5,934	6,064	6,259
Supplies	12	8	8	3	3	3	3
General & Administrative	1,981	796	813	819	835	860	876
<b>TOTAL</b>	<b>11,069</b>	<b>11,494</b>	<b>11,548</b>	<b>11,931</b>	<b>12,250</b>	<b>12,751</b>	<b>13,266</b>
<i>FTEs (headcount)</i>	<i>20</i>	<i>23</i>	<i>23</i>	<i>23</i>	<i>23</i>	<i>23</i>	<i>23</i>

### **Personnel Services**

- FY 2016-17: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. Also contributing to the increase is the addition of 2 FTEs. FY 2015-16 Actual includes a \$0.4 million pension expense credit due to GASB 68.
- FY 2017-18 Salaries adjusted by 2% based on labor MOUs. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 1 FTE or \$0.2 million assigned directly to Maritime.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

### **Contractual Services**

- FY 2016-17: Higher by \$0.5 million primarily due to increased security costs of \$0.9 million, management fees at Middle Harbor Shoreline Park (MHSP) of \$0.2 million, and Bluetooth system maintenance (Dray-Q) of \$0.1 million, partially offset by lower truck parking expense of \$0.7 million.
- FY 2017-18: Higher by \$0.3 million primarily due to increased truck parking of \$0.9 million (offset by higher truck parking revenues) and higher consulting expenses of \$0.2 million partially offset by the transfer of management fees at MHSP to the Social Responsibility Division of \$0.6 million and lower security costs of \$0.2 million.
- FY 2018-19: Higher by \$0.1 million primarily due to increased ancillary services (including truck parking) as more available space is anticipated of \$0.3 million, partially offset by lower consulting expenses of \$0.2 million.
- FY 2019-20 and FY 2021-22: Other contractual services are assumed to increase 2.5%.



**DRAFT June 1, 2017**

**General & Administrative**

- FY 2016-17: Lower by \$1.2 million primarily due to cessation of late gate contributions of \$1.4 partially offset by higher travel costs of \$0.2 million.
- FY 2017-18: Slightly higher due to personnel recruitment and advertising, and travel.
- FY 2018-19 through FY 2021-22: Expenses are assumed to increase on average 2.5% each year.

DRAFT June 1, 2017

# COMMERCIAL REAL ESTATE DIVISION

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# COMMERCIAL REAL ESTATE AREA MAP

DRAFT June 1, 2017



**DRAFT June 1, 2017**

## COMMERCIAL REAL ESTATE DIVISION

### FUNCTION

The Commercial Real Estate (CRE) Division manages, promotes, develops, and enhances the City's urban waterfront for economic benefit and public enjoyment. CRE customers include:

- Businesses and individuals who manage, purchase, develop and/or lease Port land, buildings, marinas, and other facilities;
- Employees and patrons of those businesses;
- Users of the public spaces such as streets, plazas, piers, and promenades; and
- Other Port divisions and departments.

The CRE Division performs several major functions: marketing and managing Port assets; providing information, services and special events to the public; planning and facilitating new development on the urban waterfront; and providing building services support to all Port divisions.

### OPERATING REVENUES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Jack London Square	8,305	7,965	8,250	8,426	8,546	8,801	9,200
Embarcadero Cove	2,448	2,741	2,985	3,063	3,098	3,118	3,242
Business Park and Distribution Center	2,954	3,427	3,457	3,562	3,622	3,615	3,935
Brooklyn Basin and Other Areas	2,443	1,518	1,549	1,501	1,572	1,652	1,679
Subtotal	16,150	15,651	16,241	16,552	16,838	17,186	18,056
Bad Debt Reserve	55	(75)	(75)	(75)	(75)	(75)	(75)
<b>TOTAL</b>	<b>16,095</b>	<b>15,576</b>	<b>16,166</b>	<b>16,477</b>	<b>16,763</b>	<b>17,111</b>	<b>17,981</b>

#### **Jack London Square**

- FY 2016-17: Lower parking revenues anticipated due to parking provisions in the new labor MOUs. FY 2015-16 Actual included one-time payment of \$0.3 million for allocation of 216 units of residential density from Port controlled parcels to developer controlled parcels.
- FY 2017-18 through FY 2021-22: Increase in parking revenues, percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments.

**DRAFT June 1, 2017**

**Embarcadero Cove**

- FY 2016-17 through FY 2022-22: Increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments are offset by vacancy potential.

**Business Park and Distribution Center**

- FY 2016-17 through FY 2021-22: Increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments are offset by vacancy potential.

**Brooklyn Basin and Other Areas**

- FY 2016-17: Lower due to loss of interim revenues from Brooklyn Basin after payoff of promissory note of \$0.7 million in FY 2015-16.
- FY 2017-18 through FY 2021-22: Projected increase in percentage rents, and minimum rents due to projected lease renewals and scheduled rent adjustments are offset by vacancy potential.

**DRAFT June 1, 2017**

## COMMERCIAL REAL ESTATE DIVISION

### OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	1,312	1,529	1,571	1,668	1,770	1,882	1,980
Contractual Services	4,783	4,787	4,962	5,085	5,211	5,341	5,474
Supplies	31	62	36	37	38	39	40
General & Administrative	317	340	327	349	357	366	375
Dept'l (Credits) Charges	(183)	(185)	(191)	(196)	(200)	(206)	(211)
<b>TOTAL</b>	<b>6,260</b>	<b>6,534</b>	<b>6,705</b>	<b>6,943</b>	<b>7,176</b>	<b>7,423</b>	<b>7,658</b>
<i>FTEs (headcount)</i>	8	8	8	8	8	8	8

**Personnel Services**

- FY 2016-17: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. FY 2015-16 Actual includes a \$0.1 million pension expense credit due to GASB 68.
- FY 2017-18: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

**Contractual Services**

- FY 2016-17: Higher than anticipated JLS common area maintenance and security costs of \$0.1 million offset by lower parking lot operations and operating costs at Port headquarters building of \$0.1 million.
- FY 2017-18: Higher anticipated operating costs at Port headquarters building and JLS common area maintenance and security, partially offset by lower parking lot operations costs.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**General & Administrative**

- FY 2016-17: Higher travel, dues and registration, and marketing expense.
- FY 2017-18: Lower promotional and dues and registration, partially offset by higher marketing expenses.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase by 3.5% each year, primarily driven by contractual escalations for the Port's share of marketing and advertising costs at JLS.



**DRAFT June 1, 2017**

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# UTILITIES-ENGINEERING DIVISION

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# PORT UTILITY SERVICE AREA MAP



**DRAFT June 1, 2017**

## UTILITIES – ENGINEERING DIVISION

### FUNCTION

The Utilities Department is a unit within the Engineering Division that manages the Port's utility distribution system (electrical, gas, water, and sewer). The department ensures that the Port plans, operates and upgrades its utility systems in an effective and efficient manner in compliance with all rules and regulations. The Utilities Department purchases and manages the delivery of electricity to the Port's customers at OAK and in certain Seaport areas. It also obtains renewable energy for the Port, takes measures to reduce the Port's greenhouse gas emissions from electricity generation and promotes energy efficiency. Utility revenues and cost of sales are reported separately here for budget purposes. Personnel costs, maintenance, and other associated expenses of the Utilities Department are included as part of the Engineering Division budget.

## UTILITIES – ENGINEERING DIVISION

### REVENUE BY AREA

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
South Airport	2,333	2,321	2,350	2,375	2,400	2,426	2,453
North Airport	1,924	1,972	1,931	1,954	1,978	2,003	2,028
Marine Terminals – Retail	574	800	227	234	241	248	255
Marine Terminals – Wholesale	3,788	3,313	3,735	3,649	3,688	3,728	3,768
Marine Terminals – Shore Power	5,195	4,346	4,840	4,975	5,114	5,257	5,404
Commercial Real Estate	103	105	105	105	105	105	105
Oakland Army Base	436	284	408	412	416	420	424
<b>TOTAL</b>	<b>14,353</b>	<b>13,141</b>	<b>13,596</b>	<b>13,704</b>	<b>13,942</b>	<b>14,187</b>	<b>14,437</b>

**DRAFT June 1, 2017****REVENUE BY COMMODITY TYPE**

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Electricity – Retail	677	905	332	339	346	353	360
Electricity – Wholesale	7,917	7,470	7,987	8,067	8,147	8,229	8,312
Electricity – Capacity	371	250	253	132	136	140	144
Shore Power	5,194	4,346	4,840	4,975	5,114	5,257	5,404
Gas	49	58	66	68	70	73	76
Water (Sewer)	123	112	118	123	129	135	141
Miscellaneous	22	0	0	0	0	0	0
<b>TOTAL</b>	<b>14,353</b>	<b>13,141</b>	<b>13,596</b>	<b>13,704</b>	<b>13,942</b>	<b>14,187</b>	<b>14,437</b>

- FY 2016-17: Shore power revenues budgeted to decrease based on current utilization of system. FY 2016-17 shore power is forecasted at \$4.7 million or \$0.4 million higher than FY 2016-17 Budget.
- FY 2017-18: Electricity-retail revenue is assumed to decrease by \$0.6 million due to a change in how the Port recovers lighting cost at the former Outer Harbor Terminal. Electricity-wholesale and shore power revenues are assumed to increase 7% and 11%, respectively, due to increased usage. Electricity-capacity is assumed to increase 3% due to inflation per the contract. Gas is assumed to increase by \$8K due to usage increase and increase in rates. Water (sewer) is assumed to increase by 5% due to anticipated increase in rates.
- FY 2018-19 through FY 2021-22: Utility rates for electricity-retail, electricity-wholesale, shore power, gas, and water (sewer) are assumed to increase 3%, 0%, 0%, 3%, and 5%, respectively. Electricity-wholesale and shore power usage are anticipated to increase 1% and 3%, while electricity-retail, gas, and water (sewer) usage are anticipated to be stable. In aggregate utility revenues are projected to increase on average 1.5% per annum.

**DRAFT June 1, 2017****UTILITIES - ENGINEERING DIVISION****COST OF SALES BY AREA**

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
South Airport	969	1,167	1,153	1,166	1,179	1,192	1,205
North Airport	906	905	965	978	991	1,005	1,019
Marine Terminals – Retail	566	800	227	234	241	248	255
Marine Terminals – Wholesale	2,066	2,234	2,122	2,143	2,164	2,186	2,208
Marine Terminals – Shore Power	2,353	2,300	2,369	2,440	2,513	2,589	2,666
Commercial Real Estate	102	105	105	105	105	105	105
Oakland Army Base	151	146	144	145	146	147	148
<b>TOTAL</b>	<b>7,113</b>	<b>7,657</b>	<b>7,088</b>	<b>7,217</b>	<b>7,348</b>	<b>7,483</b>	<b>7,622</b>

**COST OF SALES BY COMMODITY TYPE**

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Electricity – Retail	668	905	332	339	346	353	360
Electricity – Wholesale	3,941	4,272	4,216	4,258	4,300	4,343	4,386
Shore Power	2,353	2,300	2,369	2,440	2,513	2,588	2,666
Gas	41	50	55	56	57	58	59
Water	110	130	113	118	123	129	135
<b>TOTAL</b>	<b>7,113</b>	<b>7,657</b>	<b>7,088</b>	<b>7,217</b>	<b>7,348</b>	<b>7,483</b>	<b>7,622</b>

- FY 2016-17: Shore power costs anticipated to decrease based on current utilization of system.
- FY 2017-18: Utility cost for electricity-retail is assumed to decrease by \$0.6M due to a change in lighting cost recovery methodology at former Outer Harbor Terminal. Utility costs for electricity-wholesale is assumed to decrease by 1% due to lower cost of energy. Shore power usage is assumed to increase by 11% but due to lower energy costs, the shore power cost of sale is only assumed to increase by 3%. Gas cost of sales is assumed to increase by \$5K or 10% due to increase usage and increase rates. Water (sewer) is anticipated to decrease by \$17k due to overestimate of FY 2016-17 Budget.
- FY 2018-19 through FY 2021-22: Utility cost of sales for electricity-retail, electricity-wholesale, shore power, gas, and water (sewer) are assumed to increase 3%, 1%, 3%, 3%, and 5%, respectively.



**DRAFT June 1, 2017**

## **ENGINEERING AND ENVIRONMENTAL PLANNING DIVISION FUNCTION**

The Engineering and Environmental Planning Division has multiple functions within a number of technical, scientific, engineering, environmental, and maintenance disciplines. Each supports the general mission of planning, designing, constructing, delivering and maintaining Port facilities and physical infrastructure assets.

### **PROJECT DESIGN & DELIVERY - AVIATION**

The Aviation Project Design & Delivery (APDD) Department provides planning, engineering, project management, construction management and other technical services (such as cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, and technical studies) to support the Port's Aviation business. Preparation of plans and specifications are accomplished largely through outside professional services contracts with oversight and management being provided by the department. In conjunction with SRD, the APDD team ensures that there is consideration for the use of local businesses in executing the program. Also, working with other departments, the APDD team supports the application for and implementation of outside grants/funding sources as these relate to Aviation projects.

### **PROJECT DESIGN & DELIVERY - MARITIME**

The Maritime Project Design & Delivery (MPDD) Department provides planning, engineering, project management, construction management and other technical services (such as cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, and technical studies) to support the Port's Maritime and CRE businesses. Preparation of plans and specifications are accomplished largely through outside professional services contracts with oversight and management being provided by the department. In conjunction with SRD, the MPDD team ensures that there is consideration for the use of local businesses in executing the program. Also, working with other departments, the MPDD team supports the application for and implementation of outside grants/funding sources as these relate to Maritime projects.

The department manages the water depth of the channels and berths to provide for safe and efficient maritime navigation at the Port. This responsibility includes the Port's berth maintenance dredging program, coordination with the U.S. Army Corps of Engineers for the federal channel maintenance dredging, and deepening projects as applicable.

The department is also responsible for the structural integrity and major operational maintenance of Port-owned container cranes, including project management and construction administration, construction inspection, testing, loading, delivery, unloading and commissioning of cranes.

### **UTILITIES**

The Utilities Department manages all aspects of utility services as well as the Port's utility business, including the buying and selling of electricity, water, and gas; provides master planning on the Port's utility systems; and supports infrastructure developments. Additionally, it serves as liaison with the utility companies and coordinates business-related utility needs and service continuity across the Port.

**DRAFT June 1, 2017****ENGINEERING SERVICES**

The Engineering Services Department provides a variety of engineering-related support services to the Port, Port tenants, and the public.

- **Specifications** prepares the project manual that includes project specifications and bidding documents for public works projects, prepares Requests for Proposals (RFPs) for professional services contract, and prepares procurement manuals for procurement of equipment and materials in support of the Project Design and Delivery Departments.
- **Contract Administration** is responsible for administering the consultant and construction contracts that are issued by the division and assisting in the management of the MAPLA as well as maintaining a comprehensive project contract file archive.
- **Document Control** is responsible for administering the bid process for public works contracts and long-term management of project manuals and engineering documents.
- **Geomatics (Surveys and Land Records) and Drafting** provides survey, mapping and land records management services to support the Port's development needs.

**ENVIRONMENTAL PROGRAMS AND PLANNING**

The Environmental Programs and Planning Department has primary responsibility to promote environmental stewardship and ensure environmental compliance with all federal, State, and local statutes and regulations in all Port plans, activities, operations, and development programs and projects. Core functions include:

- Environmental planning and assessment in compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), including the development of mitigation monitoring and reporting programs;
- Regulatory programs and permitting for Port operations, maintenance and capital improvement projects, and dredging. Coordination with regulatory agencies such as the U.S. Army Corps of Engineers, Regional Water Quality Control Board, Bay Area Air Quality Management District, Bay Conservation and Development Commission, NOAA Fisheries, U.S. Fish and Wildlife Service, California Department of Fish and Wildlife, and FAA;
- Environmental hazardous materials management and remediation, including soil and groundwater pollution clean-up and prevention; air quality planning, programs and inventories; sediment management; handling, abatement and disposal of hazardous materials and waste; environmental remediation of contaminated Port property; and environmental liability insurance recovery support technical services; and
- Environmental policy and advocacy before public regulatory bodies, trade associations, community and environmental organizations; and supporting community relations and media activities to raise awareness of Port environmental stewardship activities, programs and accomplishments.
- Port development permits, City building permits, and code compliance support for the Port, its tenants and other landowners within the Port area.

**ENGINEERING FACILITIES**

Engineering Facilities is responsible for maintaining Port-owned utilities, facilities and equipment primarily in the Maritime and CRE areas and, to a lesser extent, at OAK and the Airport Business Park. Engineering Facilities also provides support during construction of capital projects, performs regular and preventive

**DRAFT June 1, 2017**

maintenance, administers certain major maintenance projects, and provides first response and stabilization during emergencies and natural disasters. Below are the major functions of the department:

- **Facilities Management** plans, leads, organizes and controls the department's budget, programs, resource management and cost allocation. Interfaces with other departments and divisions and oversees job prioritization and general day-to-day operations. Executes and maintains a variety of service level and public works contracts.
- **General Maintenance** performs a wide variety of maintenance services within the Seaport and CRE areas. This group plans, coordinates, maintains, inspects and performs roofing, paving, building maintenance, carpentry, painting and striping, miscellaneous signage, landscaping/gardening/weed-abatement, maintenance and sweeping of Port-controlled roads, flood response, storm water pollution prevention, and park maintenance. The General Maintenance group will undertake construction activities when requested.
- **Utilities Group** maintains all Port-owned water and power distribution systems within the Seaport and CRE areas and is also responsible for both Port and City-owned facilities at the former OAB. The group reads electric, gas, and water meters, provides fire prevention services throughout the Port, (including OAK); maintains electrical substations, sewer lift stations, street-lighting, building electrical and mechanical systems on Port-owned and Port-responsible buildings, and aboveground and underground utilities through regular and preventative maintenance programs. This group also supports major maintenance and public works projects, and utility heavy construction projects.
- **Fleet Maintenance** maintains and services Port vehicles, construction equipment, and aircraft crash and fire rescue vehicles. The group coordinates the operation of the Port's fossil fuel and compressed natural gas fueling stations and conforms its operations to comply with various air quality regulations as well as the California Highway Patrol bi-annual terminal inspections.
- **Diving Services** plans, coordinates, and performs inspection and repair of the Port's waterfront marine structures throughout the harbor, as well as in the CRE areas and the Runway 12/30 approach light structure, tide gates and security buoys at OAK. Primary work includes programmed inspection/repair of concrete piles to prevent structural failure of decks/cranes as well as pile inspection during construction. The Diving Services group is capable of providing services such as on-call response for aircraft and ferry boat accidents in the San Francisco Bay, and first response on waterside oil spill containment. The group also performs miscellaneous work and repairs, such as marine fender systems and tide gates, within all Port areas.

**DRAFT June 1, 2017**

## ENGINEERING & ENVIRONMENTAL PLANNING DIVISION OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	18,533	23,380	23,633	25,033	26,555	28,212	29,672
Contractual Services	6,808	9,285	16,489	15,510	14,666	15,415	14,218
Supplies	2,124	1,609	1,703	1,746	1,789	1,834	1,880
General & Administrative	133	167	153	156	159	162	165
Dept'l (Credits) Charges	(354)	(169)	(169)	(173)	(177)	(182)	(187)
<b>TOTAL</b>	<b>27,244</b>	<b>34,273</b>	<b>41,809</b>	<b>42,272</b>	<b>42,992</b>	<b>45,441</b>	<b>45,748</b>
<i>FTEs (headcount)</i>	<i>102</i>	<i>114</i>	<i>115</i>	<i>115</i>	<i>115</i>	<i>115</i>	<i>115</i>

### Personnel Services

- FY 2016-17: Salaries adjusted by approximately CPI and the addition of 5 FTEs plus the transfer of 1 FTE to Finance and Administration Division. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. FY 2015-16 Actual includes a \$1.5 million pension expense credit due to GASB 68.
- FY 2017-18: Salaries adjusted by 2.0% based on labor MOUs and the transfer of 1 vacant FTE from Finance and Administration Division. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 2.5 FTEs or \$0.5 million assigned directly to Engineering.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

### Contractual Services

- FY 2016-17: Higher by \$2.5 million due to increases in major maintenance of 3.0 million; repairs and maintenance costs of \$0.5 million; hazardous waste and environmental consultants of \$0.3 million; and fleet and asset management computer systems of \$0.2 million, partially offset by lower maintenance dredging of \$1.5 million resulting from lower disposal volume and rates.
- FY 2017-18: Higher major maintenance in the maritime terminal area and OAB of \$4.4 million, additional studies for asset maintenance of \$1.4 million, higher maintenance dredging of \$1.0 million due to higher disposal rates, and repairs and maintenance costs of \$0.3 million.
- FY 2018-19 through FY 2021-22: Major maintenance programs projected at \$24.6 million over the 4-year period. Maintenance dredging and major maintenance programs fluctuates year to year while all other expenses assumed to increase approximately 2.5% each year.

**DRAFT June 1, 2017**

**Supplies**

- FY 2016-17: Lower maintenance, electrical and safety supplies, partially offset by the higher automotive fuel costs.
- FY 2017-18: Higher electrical supplies.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**General & Administrative**

- FY 2016-17: Lower recovery from the City for costs incurred at OAB, partially offset by a reduction in wireless GPS tracking service for Port take home vehicles and legal advertising.
- FY 2017-18: Cessation of wireless GPS tracking service for Port take home vehicles.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**DRAFT June 1, 2017**

## **FINANCE AND ADMINISTRATION DIVISION**

### **FUNCTION**

The Finance and Administration Division provides the Port with short and long-term financial guidance in the areas of financial planning, financial management, capital project funding, and internal and external financial reporting. This division is also responsible for risk management, purchasing, information technology, and human resources.

#### **FINANCE**

- **Accounting** is led by the Port Controller, and provides centralized accounting and financial statement reporting services for the entire Port. Accounting develops and maintains a system of internal controls to help maintain reliable financial reporting and plays an important role in safeguarding assets and preventing and detecting fraud. The primary functions of the department include: producing and delivering invoices to tenants, processing payments to suppliers, preparation and distribution of payroll, custody and maintenance of the general ledger, preparation of monthly financial statements, management of grant reimbursements, and management of the annual external audits which includes the production of the Port's CAFR. Additionally, Accounting works closely with the Port's Audit Services Division on internal audits and with Financial Planning on certain reports and studies.
- **Financial Planning** facilitates and monitors the Port's operating and capital budgets, prepares financial analyses and forecasts, and develops and coordinates the funding of capital projects. The department is also responsible for cash management, debt management, and debt compliance.
- **Purchasing** facilitates and manages the acquisition of supplies, equipment and services for the Port, except for those items and services which are procured through construction bids (public works).
- **Risk Management** is responsible for identifying, evaluating and recommending risk transfer of insurable loss exposures faced by the Port. The department coordinates and directs various risk transfer functions, including risk analysis, insurance purchase, claims administration, selection of agents/brokers, allocation of risk charges to operating departments, and recovery from insurance companies. Risk Management reviews Port contracts, and recommends and tracks insurance protection levels for tenants, vendors, consultants and suppliers. The department also administers the Port's Owner-Controlled Insurance Program (OCIP) for capital improvement projects.

#### **INFORMATION TECHNOLOGY**

Information Technology (IT) is responsible for the planning, development, management, operation, security, and maintenance of the Port's business systems and technology portfolio, including the Enterprise Resource Planning (ERP) system. The department collaborates with Port divisions to provide long-term technology planning; facilitates business system integration into Port operations supporting Port business objectives and strategies; manages resources to ensure that the Port's business systems run efficiently with minimal downtime; maintains the integrity and security of Port business systems; and supports the Port's continuity of operations by preparing and exercising contingency and disaster recovery plans.



**DRAFT June 1, 2017****HUMAN RESOURCES**

Human Resources (HR) is responsible for servicing and advising the Port on matters related to human resources administration.

- **Personnel and Employee Services** is responsible for the administration of the Personnel Rules and Procedures of the Port of Oakland (Port Personnel Rules) and the City Civil Service Rules; and maintains and administers provisions related to classification and compensation, recruitment and selection, certification, appointment and performance management.
- **Payroll and Benefits** is responsible for the effective delivery of services related to payroll, wellness, and benefits administration.
- **Employee and Labor Relations** is responsible for the administration of the four labor contracts at the Port; engages with Port labor unions in the negotiation of successor contracts; when appropriate, meets and confers with labor unions over changes in wages, hours, and working conditions; assists and guides management in handling grievances, employee discipline matters, and employee relations issues; and provides support to the Port Attorney's Office for litigation or arbitrations arising out of contract disputes.
- **Equal Opportunity** is responsible for policies and programs that ensure the Port is free of discrimination and harassment pursuant to rules and regulations promulgated by the Department of Fair Employment and Housing (DFEH) and the Equal Employment Opportunity Commission (EEOC). Equal Opportunity is also responsible for the Accessibility and Accommodation Program, which prohibits discrimination against persons with disabilities in employment, transportation, public accommodation, communications, governmental activities, and telecommunication.
- **Workers' Compensation** maintains and operates a self-insured, self-funded workers' compensation program in compliance with all applicable laws and statutes. They investigate each industrial injury or illness, report suspected fraudulent claims, monitor medical treatment, arrange medical consultations, determine eligibility for workers' compensation benefits, provide information on benefits to employees, communicate with Port management on return-to-work status and coordinate with reporting agencies and other Port divisions to resolve work-related illness or injury issues.
- **Organizational Effectiveness** is responsible for the delivery of an array of training programs designed to enhance staff morale, and develop and promote an efficient and high performing workforce.
- **Employee Health and Safety** implements and administers the Port's Safety Program including pertinent safety monitoring and control, training, disaster/emergency response, accident prevention and other related functions to reduce safety hazards and loss for the Port. They also provide technical consultation to Port departments to ensure compliance with the Occupational Health and Safety Act and other federal, State and local ordinances pertaining to hazardous waste, toxic substances and safety.

**DRAFT June 1, 2017**

## FINANCE AND ADMINISTRATION DIVISION

### OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	9,557	11,698	11,469	12,172	13,072	14,059	14,793
Contractual Services	2,940	3,120	4,170	3,084	3,181	3,239	3,339
Supplies	249	269	70	121	122	274	226
General & Administrative	3,323	4,100	4,157	4,345	4,538	4,737	4,964
<b>TOTAL</b>	<b>16,069</b>	<b>19,187</b>	<b>19,866</b>	<b>19,722</b>	<b>20,914</b>	<b>22,309</b>	<b>23,322</b>
<i>FTEs (headcount)</i>	<i>58</i>	<i>61</i>	<i>61</i>	<i>61</i>	<i>61</i>	<i>61</i>	<i>61</i>

**Personnel Services**

- FY 2016-17: Salaries adjusted by approximately CPI and the transfer of 1 FTE from Engineering Division. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. FY 2015-16 Actual includes a \$0.8 million pension expense credit due to GASB 68.
- FY 2017-18: Salaries adjusted by 2.0% based on labor MOUs plus the transfer of 1 vacant FTE to the Engineering Division. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 3 FTEs or \$0.5 million assigned directly to Finance and Administration.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

**Contractual Services**

- FY 2016-17: Primarily higher computer systems and photo copier rental of \$0.2 million.
- FY 2017-18: Higher consulting costs for ERP technical upgrade of \$0.8 million and upcoming labor negotiations of \$0.2 million, and higher computer systems of \$0.1 million.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year except for actuarial services which vary bi-annually due to reporting requirements related to the Port's retiree medical plan and the removal of one-time ERP and labor relations consultants budgeted in FY 2017-18.

**Supplies**

- FY 2016-17: Transfer of safety supplies from Engineering Division associated with transfer of FTE.
- FY 2017-18: Expendable equipment lower by \$0.2 million due to completion of Port-wide desktop and monitor replacement program completed in FY 2016-17.

**DRAFT June 1, 2017**

- FY 2018-19 through FY 2021-22: Anticipated replacement of servers, desktop monitors and computers staggered during this timeframe. All other supplies assumed to increase approximately 2.5% each year.

**General & Administrative**

- FY 2016-17: Higher insurance premiums of \$0.4 million, and transfer of landline voice and data services and bank charges previously budgeted in Non-Departmental of \$0.4 million.
- FY 2017-18: Higher crane insurance and landline voice and data services.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year while insurance premiums assumed to increase 5% each year.

**DRAFT June 1, 2017**

## **EXECUTIVE OFFICE FUNCTION**

The Executive Office provides leadership, vision, inspiration and direction to all Port divisions. This includes strategic and business planning, policy development, communications, social responsibility, community affairs, and government relations. The Executive Director, who is appointed by the Board, is the Port's top management official. In accordance with the Board's policies, the Executive Director is responsible for the formulation, interpretation and implementation of Port policy.

### **COMMUNICATIONS**

Communications provides timely, proactive, and cost-effective strategic communications to both internal and external stakeholders. The department's functions are designed to increase public awareness and understanding of the Port, its projects and policies.

- Develops and updates communication strategies that seek to promote and protect the Port's reputation;
- Handles media relations with local, regional, national, international, and trade-specific news outlets;
- Produces Port events and public presentations;
- Supports meaningful and timely employee communications; and
- Provides graphic reproduction services to all Port divisions.

### **GOVERNMENT RELATIONS**

Government Relations works with other Port divisions to develop and implement legislative, regulatory and advocacy strategies, and to establish the Port's position on legislative and regulatory proposals. This department also takes the lead in identifying and securing other governmental agency funding for Port projects and programs. In addition, the department manages and coordinates the Port's relationships with local, regional, State and federal governments.

### **SOCIAL RESPONSIBILITY**

SRD aims to facilitate inclusion, fairness, equity, and access to economic opportunities, programs and services of the Port for the people and businesses in the Port community through innovative policies and programs, strategic partnerships, and outreach.

- Promotes inclusion of small, local, and/or disadvantaged business enterprises in procurement and contracting opportunities at the Port;
- Promotes the hiring of local residents on Port-related projects;
- Promotes and facilitates job opportunities and sustainable wages for the local community; and
- Defines, develops, and administers comprehensive community education and outreach programs, and manages the community benefits planning for the organization.

**DRAFT June 1, 2017**

## EXECUTIVE OFFICE

### OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	3,405	4,317	4,092	4,342	4,606	4,895	5,147
Contractual Services	318	649	1,088	1,115	1,143	1,172	1,201
Supplies	12	8	11	10	10	10	11
General & Administrative	490	690	720	737	755	773	792
<b>TOTAL</b>	<b>4,226</b>	<b>5,664</b>	<b>5,911</b>	<b>6,204</b>	<b>6,514</b>	<b>6,850</b>	<b>7,151</b>
<i>FTEs (headcount)</i>	<i>17</i>	<i>19</i>	<i>19</i>	<i>19</i>	<i>19</i>	<i>19</i>	<i>19</i>

#### **Personnel Services**

- FY 2016-17: Salaries adjusted by approximately CPI and the transfer of 1 FTE from Aviation Division. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. FY 2015-16 Actual includes a \$0.3 million pension expense credit due to GASB 68.
- FY 2017-18: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 2 FTEs or \$0.4 million assigned directly to Executive Office.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

#### **Contractual Services**

- FY 2016-17: Higher consulting costs for legislative representatives and SRD systems development.
- FY 2017-18: Primarily the transfer of management fees at Middle Harbor Shoreline Park from Maritime Division of \$0.5 million.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

#### **General and Administrative**

- FY 2016-17: Primarily higher sponsorships, community outreach, travel, and special events expenses.
- FY 2017-18: Higher sponsorships and travel expenses.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**DRAFT June 1, 2017**

## PORT ATTORNEY'S OFFICE

### FUNCTION

The Port Attorney's Office, as provided under City Charter Section 706, paragraph 20, passes upon the form and legality of all contracts within the jurisdiction of the Board; gives legal advice to the Board, its officers and employees on all matters within its jurisdiction; defends and prosecutes or compromises all actions at law or equity and special proceedings for or against the City related to Port activities or any Port officers in their official capacity; prepares all legal briefs and memoranda, contracts, ordinances, resolutions and other documents of the Port; and makes all appearances in actions and proceedings on behalf of the Port. The Port Attorney discharges these duties directly and through assistants and deputies. Duties are assigned among the staff attorneys on a case-by-case basis with some specialization in maritime, aviation, commercial real estate, environmental, insurance, litigation, public finance, construction, open meeting laws, tax and labor/employment.

### OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	3,017	3,591	3,716	3,944	4,186	4,451	4,682
Contractual Services	659	1,165	1,145	1,174	1,203	1,233	1,264
Supplies	7	20	21	21	22	22	23
General & Administrative	90	114	133	137	140	143	146
<b>TOTAL</b>	<b>3,773</b>	<b>4,891</b>	<b>5,015</b>	<b>5,276</b>	<b>5,551</b>	<b>5,849</b>	<b>6,115</b>
<i>FTEs</i> <i>(headcount)</i>	13	14	14	14	14	14	14

#### **Personnel Services**

- FY 2016-17: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. FY 2015-16 Actual includes a \$0.3 million pension expense credit due to GASB 68.
- FY 2017-18: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

#### **Contractual Services**

- FY 2016-17: Primarily higher outside legal services of \$0.5 million.
- FY 2017-18: Lower outside consulting services.



**DRAFT June 1, 2017**

- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**General & Administrative**

- FY 2016-17: Higher travel, dues and registration costs.
- FY 2017-18: Higher travel costs anticipated.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**DRAFT June 1, 2017**

## OFFICE OF AUDIT SERVICES

### FUNCTION

The Office of Audit Services provides independent and objective reviews and evaluations of the Port's financial and operational activities to assist the Board and management in the effective discharge of their oversight responsibilities. The Office also manages and administers the Port's Whistleblower Program.

#### **INTERNAL AUDIT**

Internal Audit conducts performance and compliance audits to ascertain the adequacy and effectiveness of the Port's internal controls over financial reporting and safeguarding of assets as well as compliance with all applicable laws and regulations and efficiency of operations. Internal Audit also conducts investigation of whistleblower hotline reports, furnishes constructive recommendations for process and internal control improvements, and provides assistance in implementing them.

#### **FIELD AUDIT**

Field Audit conducts concessions and compliance audits to verify that revenues received from Port tenants and expenditures reimbursed/paid to Port consultants/contractors are properly calculated and reported.

### OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	1,152	1,405	1,425	1,513	1,606	1,708	1,797
Contractual Services	3	5	5	5	5	5	5
Supplies	5	5	6	6	7	7	7
General & Administrative	(75)	25	25	25	25	26	26
<b>TOTAL</b>	<b>1,085</b>	<b>1,440</b>	<b>1,461</b>	<b>1,549</b>	<b>1,643</b>	<b>1,746</b>	<b>1,835</b>
<i>FTEs (headcount)</i>	7	7	7	7	7	7	7

#### **Personnel Services**

- FY 2016-17: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. FY 2015-16 Actual includes a \$0.1 million pension expense credit due to GASB 68.
- FY 2017-18: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

#### **General & Administrative**

- FY 2016-17: No recovery of audit costs from certain tenant leases budgeted.

**DRAFT June 1, 2017**

## OFFICE OF THE BOARD OF PORT COMMISSIONERS

### FUNCTION

The duty of the Board, as established in the City Charter, is to promote and assure the comprehensive development of the Port through continuity of control, management and operation. Per the City Charter, the exclusive control and management of the Port is vested in the Board, comprised of seven members who are nominated by the Mayor of Oakland and appointed by the Oakland City Council. The Board is specifically charged with the tasks presented in Article 7 of the City Charter.

The Board Secretary and Assistant Secretary manage the functions of the Office of the Board of Port Commissioners. Key duties include assuring the public's right to know and participate in a meaningful way in the decision-making processes of the Port; publishing the Board Agendas, Minutes, Resolutions and Ordinances in conformance with the City Charter, Ralph M. Brown Act, and the Port's Sunshine Ordinance; receiving and publicly opening all sealed bids; coordinating Public Information Requests; and managing on behalf of the Port and Board the annual filing of the Fair Political Practices Commission's Form 700 Statement of Economic Interest.

### OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	376	434	450	478	508	539	567
Contractual Services	4	4	4	4	4	4	4
Supplies	6	5	10	5	5	5	11
General & Administrative	69	119	125	123	126	129	132
<b>TOTAL</b>	<b>456</b>	<b>561</b>	<b>589</b>	<b>610</b>	<b>643</b>	<b>678</b>	<b>714</b>
<i>FTEs (headcount)</i>	2	2	2	2	2	2	2

#### **Personnel Services**

- FY 2016-17: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017. FY 2015 Actual includes a \$0.01 million pension expense credit due to GASB 68.
- FY 2017-18: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018.
- FY 2018-19 through FY 2021-22: CalPERS pension employer contribution rate assumed to increase to 39.2%, 43.6%, 48.4%, and 51.6%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

**DRAFT June 1, 2017**

**Supplies**

- FY 2017-18: iPad replacements for Commissioners anticipated.

**General & Administrative**

- FY 2016-17: Primarily higher travel and legal advertising expenses.
- FY 2017-18: Primarily lower legal advertising expenses anticipated.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**DRAFT June 1, 2017**

## NON-DEPARTMENTAL FUNCTION

Non-Departmental is a cost center that collects Port-wide non-discretionary expense items which are not initially allocated directly to Port divisions. These expenses include, but are not limited to, retiree medical expenses, workers' compensation costs, supplemental pension expense for high earning retirees, vacation and sick leave accruals, unemployment insurance, vacancy factor, certain City services and assessments, insurance claims, utilities for Port usage, and certain legal and environmental costs. Also included is departmental credits, which is mostly labor and overhead costs allocated to the capital budget.

### OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2015-16</b>	<b>Budget 2016-17</b>	<b>Budget 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Personnel Services	16,539	11,418	16,464	17,106	17,774	18,464	19,207
Contractual Services	2,121	2,121	2,177	2,235	2,295	2,357	2,422
General & Administrative	11,311	10,236	11,292	11,244	11,580	11,928	12,288
Departmental Credits	(5,715)	(8,701)	(8,926)	(9,194)	(9,470)	(9,754)	(10,047)
<b>TOTAL</b>	<b>24,257</b>	<b>15,074</b>	<b>21,006</b>	<b>21,391</b>	<b>22,179</b>	<b>22,995</b>	<b>23,871</b>

#### **Personnel Services**

- FY 2016-17: Budgeted vacancy factor is 35 FTEs or \$6.4 million. Actual vacancy savings is recognized in the divisions where the vacancies occur. Budgeted vacation accrual is \$0.2 million lower, offset by higher workers' compensation of \$1.4 million.
- FY 2017-18: Budgeted vacancy factor in Non-Departmental is 11 FTEs or \$2.1 million. An additional vacancy factor of 14 FTEs, or \$2.4 million, is directly allocated to various divisions. Total vacancy factor in FY 2017-18 is 25 FTEs. Actual vacancy savings will be recognized in the divisions where the vacancies occur. Higher projected retiree medical costs of \$0.6 million and workers' compensation of \$0.1 million.
- FY 2018-19 through FY 2021-22: Higher projected retiree medical and workers' compensation costs partially offset by higher vacancy factor due to increases in underlying salary and benefits.

#### **Contractual Services**

- FY 2016-17: City services and assessments were budgeted flat to FY 2015-16 Actual
- FY 2017-18 through FY 2021-22: City services and JLID costs assumed to increase approximately 4% and 3% respectively, each year while City of Oakland Landscaping and Lighting Assessment District (LLAD) is anticipated to remain flat.

**DRAFT June 1, 2017****General & Administrative**

- FY 2016-17: Lower pollution remediation of \$2.7 million and the transfer of landline voice data services and bank charges of \$0.4 million to Finance & Administration partially offset by higher legal contingency of \$1.6 million and Port use of utilities \$0.4 million.
- FY 2017-18: Higher Port use electricity in the marine terminal area of \$0.6 million and Port contingency of \$0.4 million.
- FY 2018-19 through FY 2021-22: Expenses assumed to increase approximately 2.5% each year.

**Departmental Credits**

- FY 2016-17: Higher direct salary and fringe anticipated to be charged to capital projects.
- FY 2017-18 through FY 2021-22: Primarily higher direct salary and benefits costs due to increases in underlying personnel costs.



**DRAFT June 1, 2017**

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**DRAFT June 1, 2017**

## CAPITAL BUDGET AND 5-YEAR CAPITAL IMPROVEMENT PLAN

### FY 2018 CAPITAL BUDGET - INITIAL AND PIPELINE PROJECTS

For FY 2018, budget authorization of \$105.8 million is requested from the Board for projects for which the Board already has a contractual obligation, as well as limited amounts for pre-development work and miscellaneous facility replacement projects. "Contractual obligations" are generally defined as expenditures for which, for example, there is an active contract in place or a lease agreement that requires the Port to take certain actions. This authorization comprises the FY 2018 Capital Budget - Initial which includes the capital projects listed in the table below. The amounts shown are expected expenditures in FY 2018 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

#### FY 2018 CAPITAL BUDGET – INITIAL

<i>Business Line<sup>1</sup></i>	<i>Project</i>	<i>(\$ millions)</i>
A	International Arrival Building Upgrades	\$ 21.2
A	Terminal 1 M102 Renovations	17.0
A	Runway 12/30 Rehabilitation	16.4
M	Cool Port Rail Infrastructure	12.0
M	Crane Raising and Management System	7.6
M	Seaport Logistics Complex	5.6
A	TSA Explosive Device System Recapitalization	5.2
M	Marine Terminal Improvements	3.6
A	Parking Access and Revenue Control System	3.2
A,M,C,S	Misc. Facilities Replacement Projects	1.7
A	ARFF Truck	1.6
A	Runway Safety Area	1.3
C	Reconstruction of Portion of Embarcadero Road	1.2
M	Roadway Improvements	1.8
A	Rental Car Site Improvements	1.0
A,M,S	Capital Equipment	0.9
A,M	Pre-Development	0.8
M	Substation Upgrades	0.8
A,M	Lift Station Improvements and Sanitary Sewer Upgrades	0.7
A	Airport Perimeter Dike	0.5
C	Union Point Basin Environmental Remediation	0.4
A	Misc. Airport Terminal Improvements	0.4
A	Terminal 1 Ground Support Equipment Electrification	0.3
A	Taxiway Repairs and Ramp Control	0.3
A,M	Security Projects	0.2
S	Oracle Business Intelligence Cloud Service Project	0.2
<b>Total</b>		<b>\$ 105.8</b>

<sup>1</sup> Aviation (A); Maritime (M); Commercial Real Estate (C); Support (S)

**DRAFT June 1, 2017**

In addition, approximately \$90.5 million of additional projects are anticipated to commence in FY 2018 (FY 2018 Pipeline Projects), subject to Board approval. Authorization to proceed with the FY 2018 Pipeline Projects may be provided by the Board on a project-by-project basis, based on the need, financial analysis, cost estimates, alignment with Port goals and strategies, available funding, and available staffing resources. The FY 2018 Pipeline Projects are at various stages of the pre-development and planning process. For cashflow and financial planning purposes, the FY 2018 Pipeline Projects listed in the table below are assumed to be approved by the Board during the course of the fiscal year. The amounts shown are expected expenditures in FY 2018 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

**FY 2018 PIPELINE PROJECTS**

<i>Project</i>	<i>(\$ millions)</i>
<b>Airport</b>	
Runway 12/30 Rehabilitation	45.5
Airport Perimeter Dike	5.3
Security Projects	4.0
TSA Explosive Device System Recapitalization	3.7
Terminal 1 M130 Roof Replacement	3.3
Utilities Projects	3.2
Terminal 1 Ground Support Equipment Electrification	3.0
Misc. Terminal Improvements	2.8
Passenger Boarding Bridge Replacements	2.1
Terminal 1 M101 Planning	2.0
Ground Access and Parking	2.0
ARFF (M911) Roof	1.7
Capital Equipment	1.2
Misc. Airfield Improvements	1.0
Facilities Maintenance	0.5
Sub-Total	<b>81.3</b>
<b>Maritime</b>	
Roadway Improvements	3.0
Seaport Logistics Complex	1.0
Security Projects	1.0
-50 Ft Cost Share to US Army Corps of Engineers	1.0
Pile Stabilization at Marine Terminal Wharves	0.7
Middle Harbor Shoreline Park Dike Reconstruction	1.0
Capital Equipment	0.9
Wifi Development	0.3
Sub-Total	<b>9.0</b>
<b>Commercial Real Estate</b>	
Tenant Improvements	<b>0.2</b>
<b>Total</b>	<b>\$ 90.5</b>

The diagram on page 117 illustrates the capital budget approval process. From time to time, the capital budget approval process may be updated or adjusted to improve the planning and delivery of capital improvements and reflect best practices.

**DRAFT June 1, 2017**

## **5-YEAR CAPITAL IMPROVEMENT PLAN**

The Port maintains a 5-Year Capital Improvement Plan (CIP), which consists of anticipated expenditures and funding sources for capital projects the Port plans to undertake over the next five years. The 5-Year CIP is updated annually and is currently estimated at \$513 million (FY 2018-2022). Capital improvements included in the Port's current 5-Year CIP are limited to the highest priority items, primarily those focused on regulatory compliance, life and safety-related improvements, and revenue maintenance. The 5-year CIP does not currently include significant capacity expansion projects. Furthermore, staffing and funding constraints limit the amount of capital projects that can be completed at any one time.

Projects may be added to or removed from the CIP as the needs of the Port evolve. The Port expects it will undertake additional significant capital projects to address aging infrastructure, competitive factors and future capacity constraints, but such projects and the timing, are currently too speculative to include in the Port's current 5-Year CIP.

No assurances can be made that the funding sources identified will be available to complete the projects included in the 5-Year CIP (see *Capital Project Funding Sources* section). The cost estimates for these projects are subject to various sources of uncertainty; as such, these estimates are subject to change. The variance from the cost estimates could be material and may result in the Port issuing additional indebtedness, including Senior or Intermediate Lien Bonds, than currently anticipated, or not undertaking certain projects. The failure to complete certain projects included in the 5-Year CIP could significantly affect projected Port revenues.

### **Aviation Projects**

The 5-Year CIP includes approximately \$379 million of projects at the Airport and is divided into eight programmatic areas.

#### Airfield

Approximately \$186.6 million is included in the 5-Year CIP for airfield projects. Projects in this category include (i) Runway 12/30 rehabilitation, (ii) Airport perimeter dike improvements, (iii) Terminal 1 GSE electrification, and (iv) multiple taxiway and apron hangar improvements.

#### *Runway 12/30 Rehabilitation*

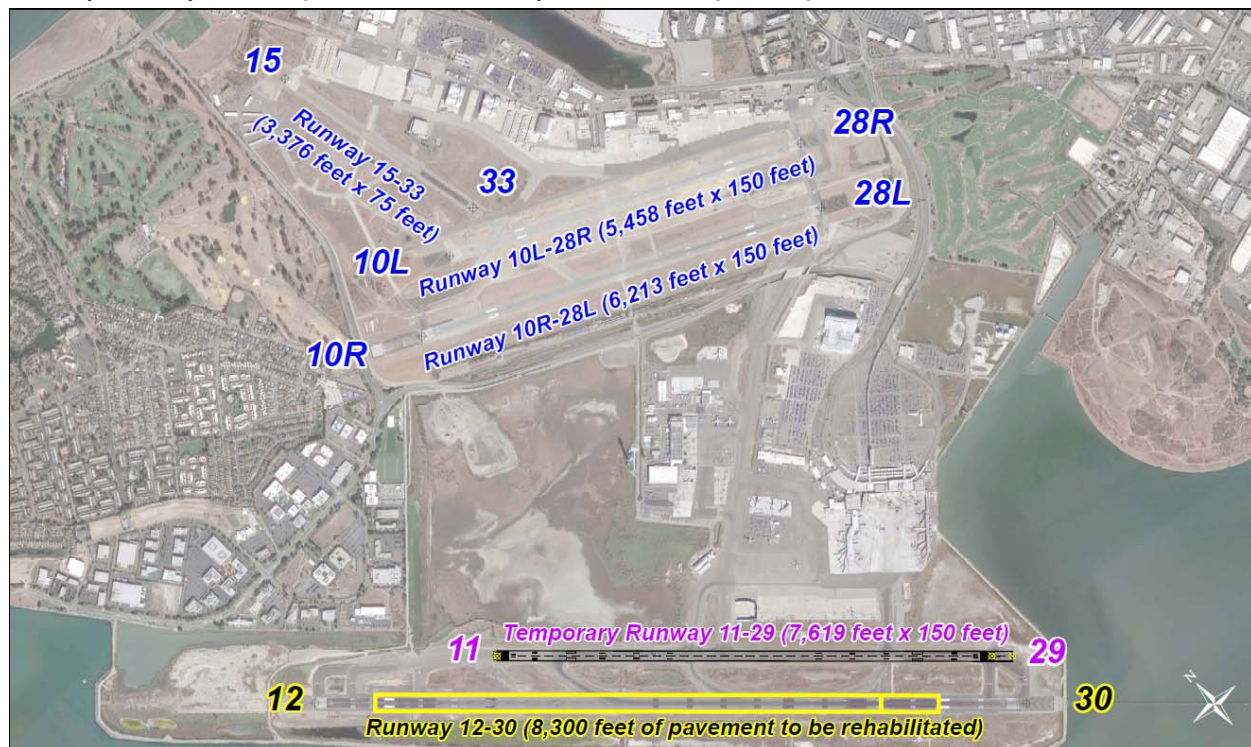
Runway 12/30 is the Airport's main commercial air carrier runway. At 10,000 feet in length, the runway provides sufficient landing and take-off distances to accommodate all types of commercial and air cargo aircraft. A runway pavement overlay project completed in 2001 extended the service life of the runway for an estimated 15 years; accordingly, the runway is due for a new overlay.

Approximately 1,200 feet of pavement at each end of the runway received an overlay during the recently completed runway safety area project. Planning and design of the pavement overlay for the remaining portion of Runway 12/30 has been completed and construction is planned for September 2017. The project also includes lighting infrastructure upgrades and light can replacement and modifications. Operations will be accommodated by converting the parallel Taxiway Whiskey to a temporary runway and utilizing the Airport's other runways during the estimated two-week overlay construction.

Extensive stakeholder coordination (airlines, cargo carriers, FAA, Airport operations, and community) has been conducted and will continue through the course of the project. The total project cost is estimated at

**DRAFT June 1, 2017**

\$68 million and FAA Airport Improvement Program (AIP) grants are anticipated to pay for approximately 60-75% of the costs. \$61.9 million of remaining project costs is included in the 5-Year CIP. The FAA awarded the Port AIP grants totaling \$6 million for the planning and design of the runway. Construction has been scheduled to be conducted in two stages, to match the anticipated additional FAA AIP grant funding. The remaining AIP grant awards are anticipated to be received in June 2017. A delay in award of AIP grants is likely to delay the completion of the runway rehabilitation past September 2017.



#### *Airport Perimeter Dike Improvements Phase 1*

The perimeter dike separates the airfield from San Francisco Bay waters. Improvements are planned to protect the Airport against flood risk from severe storms, seismic events, and sea-level rise, and to meet Federal Emergency Management Agency (FEMA) flood control standards. Design and environmental review are complete. The CIP includes \$46.4 million for the perimeter dike improvements. Approximately \$5 million of the project costs is expected to be funded by a State Local Levee Assistance Program (LLAP) grant. The LLAP was created in 2006 when California voters approved Proposition 84, which provided funds for programs to evaluate and repair local levees and flood control facilities. The awarded grant expires in 2019.

FEMA has indicated that the dike is no longer accredited as providing 100-year flood protection, and the Port is planning to implement perimeter dike improvements to address this issue. Considering the Port's plans for the Airport perimeter dike improvements, FEMA has designated the southern area of the Airport (which includes the main air carrier runway, the passenger terminal areas, and FedEx and airline support services) as "Seclusion" in FEMA's Preliminary Flood Insurance Rate Maps (FIRMs).





**DRAFT June 1, 2017**

While under “Seclusion” status, the southern area of the Airport will remain outside of the Special Flood Hazard Area. However, the Port cannot give any assurances as to how long FEMA would keep the “Seclusion” status on the southern portion of the Airport.

#### *Installation of Charging Infrastructure for Ground Support Equipment (GSE)*

Airline and ground-handler tenants own the GSE operated at OAK. Approximately 70% of the Airport-wide GSE fleet is based in Terminal 2 and has been electrified. In order to meet the demand from tenants who operate the remaining 30% of GSE, the Port is designing a project to install electric infrastructure to support 25 charging stations at Terminal 1. This project is estimated to cost \$4.8 million, of which approximately 80% is anticipated to be funded using Voluntary Airport Low Emissions (VALE) grants.

#### Terminal

The passenger terminal complex at OAK includes Terminal 1 (16 gates) and Terminal 2 (13 gates). Approximately \$108.6 million is included in the 5-year CIP for terminal improvements. Of this amount, approximately \$66.3 million is related to the Terminal 1 Retrofit and Renovation Program, including completion of the M102 life safety improvements, upgrades to the International Arrivals Building (IAB), boarding bridges, and on-going infrastructure upgrades in Terminal 1 concourse. The remainder, or approximately \$42.3 million, is related to capital improvements at Terminal 2, including Building M130 roof replacement, TSA recapitalization of electronic baggage screening, and building and gate/apron modifications to accommodate fleet changes.

#### *Terminal 1 Retrofit and Renovation Program*

The Port continues to work on the renovation and retrofit of OAK’s Terminal 1 (T1 Program), in a phased approach. The T1 Program focuses on replacing aging infrastructure, bringing building systems up to code, and reducing life-cycle costs. The \$90 million renovation of Building M102 in Terminal 1 is expected to be completed in fall 2017. This project includes the demolition of the air traffic control tower, installation of interior seismic bracing and other infrastructure work, and a redesign of the second floor administrative offices and public meeting space. The Port is seeking Leadership in Energy & Environmental Design (LEED) certification for the design and construction of the Building M102 second level. The CIP includes \$17 million to complete the project. This project is being funded primarily with PFCs.

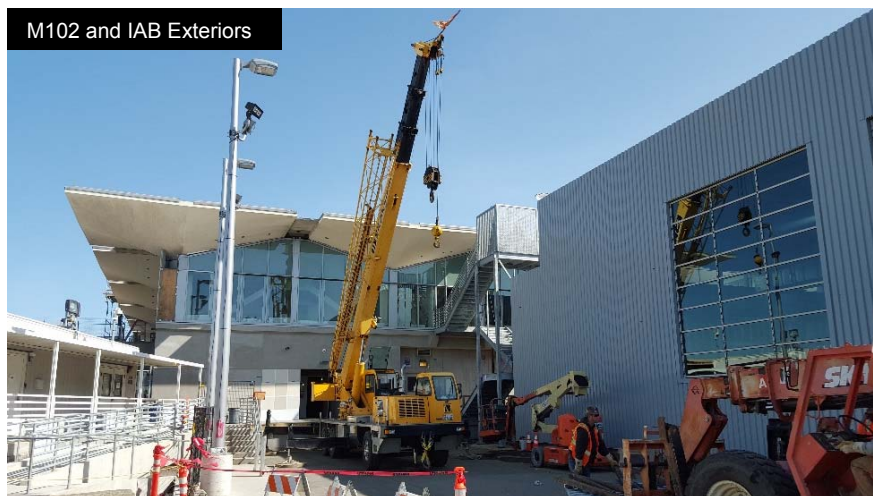




**DRAFT June 1, 2017**

### *International Arrivals Building (IAB) Upgrade*

This approximately \$45 million project provides improvements to the reliability and functionality of the dated facility to better serve the international passenger market, including a new baggage carousel and expanded passenger processing. The project is under construction and is anticipated to be complete in December 2017. The CIP includes \$26.7 million to complete the project. This project is being funded primarily with PFCs.



### *Terminal 2 Gate Modifications*

Southwest Airlines anticipates introducing 737-800 and 737-900 aircraft to the fleet servicing OAK in the next few years. Preliminary analysis has shown that the larger aircraft can be accommodated at some of the existing gates with minor striping modifications to the aircraft gate parking position. Further modifications to accommodate larger aircraft includes fuel pit modifications and replacement of passenger boarding bridges at some gates as well as analysis of building expansions to accommodate larger hold rooms. Design of the phased improvements will be completed in FY 2018. The 5-Year CIP includes \$20.6 million for gate modification costs and is anticipated to be funded primarily by future PFCs.

### *TSA Recapitalization of Baggage Screening Equipment*

TSA Electronic Baggage Screening Program (EBSP) has undertaken a national recapitalization effort because many of the existing checked-bag Explosives Detection Systems (EDS) deployed at airports throughout the country are nearing the end of their projected useful life. The recapitalization effort refers to

**DRAFT June 1, 2017**

the replacement of EDS machines, typically with a newer model EDS machine with similar or better throughput and capabilities.

The TSA selected OAK as a priority airport to participate in the TSA's program to recapitalize the EDS located within the Checked Baggage Inspection System of Terminal 2. The Port is required to design and construct terminal infrastructure modifications needed for the installation of the new EDS within the baggage screening area. The Port has entered into an Other Transaction Agreement (OTA) that requires the TSA to largely cover design and construction costs. The project construction is now estimated to cost about \$10.1 million, most of which is anticipated to be reimbursed by the TSA through a revised OTA.

#### Leased Area

The Port routinely monitors and implements improvements needed to meet existing lease requirements (apron, foundation, roofing, and walls) and support revenue retention and generation. An assessment of the leased properties has been conducted and an on-going program to address the required improvements is being developed. The 5-Year CIP totals \$15.4 million in project costs and includes improvements to hangars and the rental car facility. Eligible rental car facility improvements of \$10.8 million will be funded primarily through CFCs.

#### Ground Access and Parking

This category includes a range of Airport ground access-related projects intended to improve customer service, fulfill regulatory permit obligations, and/or maintain revenues. It includes an upgrade to the parking revenue control equipment, the Airport Drive pavement overlay and several access control and surface parking reconstruction projects. About \$16.9 million is included in the 5-Year CIP for these projects.

##### *PARCS Upgrade*

The Parking Access and Revenue Control System (PARCS) is critical infrastructure needed to operate the on-Airport revenue parking facilities. The current system needs to be replaced as it is aged and no longer effectively supported by the manufacturer. Procurement and installation of the new PARCS and the Premier Lot entrance lane expansion are underway and will be completed in FY 2018 for \$3 million. New automated vehicle identification (AVI) system equipment, reconfiguration of Lot 214, and designs for improvements to the Oakland Maintenance Center and Economy Lot, are included in the 5-Year CIP for an additional cost of approximately \$2.3 million.

##### *Airport Drive Overlay*

Airport Drive (Bessie Coleman Drive) is a nearly 4,900 linear foot, six-lane roadway from Doolittle Drive to the inbound-outbound split to and from the Airport terminals. Airport Drive was rehabilitated and widened as part of the Airport Roadway project in 1999. Since then, the roadway has been subject to surface and sub-surface deterioration. This pavement rehabilitation project is expected to include deep patch repair of deteriorated sections to extend the useful life of the roadway by about 20 years. During FY 2017, a pavement assessment was conducted and the extent of improvements were identified. The total project cost is now estimated at \$4.7 million.

#### Security

Approximately \$16.4 million is included in the 5-Year CIP for Airport security projects. Key projects include completion of the Terminal 2 baggage claim exit and design of security cameras at the rental car, parking, and curbside locations. Other projects include the initiation of terminal modifications and related technology

**DRAFT June 1, 2017**

to support employee screening, further closed circuit television camera expansion and upgrades, access control upgrades, and other security system upgrades.

#### Utilities

OAK has an extensive utility network, serving approximately 2,600 acres of land area. Water, stormwater, sewer, and electrical infrastructure are vital to the ongoing operation of Airport facilities; failures must be avoided through a combination of maintenance and on-going capital investment. Approximately \$24.1 million has been included in the 5-Year CIP for utility infrastructure projects. These projects include water and sewer upgrades, sewer lift station upgrades and replacements, and electrical duct bank and distribution upgrades.

#### Facilities Maintenance

Approximately \$5.6 million is included in the 5-Year CIP for facilities maintenance projects including controls and system upgrades for power and energy management systems, and lift stations.

#### Other Projects

Approximately \$5.4 million is included in the 5-Year CIP for capital equipment purchases, pre-development work, and miscellaneous facility replacement projects.



**DRAFT June 1, 2017**

## Maritime Projects

Increasingly, the Maritime Division has been relying on private investment to develop new facilities at the Seaport. Currently, and in the near-term, these investments include approximately \$240 million from tenants and \$33 million from public funding administered by the Alameda County Transportation Commission (ACTC). Therefore, the 5-Year CIP is not reflective of all the capital investment at the Seaport, but rather includes only those projects and expenditures that the Port will perform and/or pay for directly, which total approximately \$126.1 million.

### Seaport Logistics Complex

Between 2003 and 2007, the Port acquired 241 acres (including 185 land acres) of property which formerly was part of the Oakland Army Base (OAB). The City acquired a nearly equal share of the former OAB for its own redevelopment purposes. Since acquiring title to the property, the Port has been remediating the property, upgrading the infrastructure, and constructing the initial phases of development for what is envisioned to become a world class trade and logistics center. The new logistics complex, known as the Seaport Logistics Complex, is anticipated to include new import cross-dock, export transloading from railcar to container, a new intermodal container terminal and related facilities. Redevelopment will be phased to match market demand and funding availability. The City facilities, at full build-out, are expected to include a new bulk and break-bulk marine terminal, warehouses, a truck service area, and a recycling center.

In 2016, the Port completed the first phase of the new rail terminal on Port-owned OAB property, which includes approximately 40,000 feet of storage track, plus a 7,700-ft departure track (support and manifest yards, respectively) providing the Port with the ability to accommodate two arriving and two departing trains daily. The rail yard is anticipated to spur customer growth, particularly for heavy export products, which can be brought to the Seaport by rail, unloaded, and placed into a container within the overweight corridor. Initially, the rail yard will serve current transload providers in the Seaport, while also accommodating future cargo associated with new logistics buildings on both the City and Port-owned properties of the former OAB. Eventually, a new intermodal rail yard may be constructed, but no funding has been included for this work.



**DRAFT June 1, 2017**

The Port envisions that the remainder of the Seaport Logistics Complex will be constructed primarily by private developers/operators. The Port is currently negotiating with a developer for a facility on 27 acres at the south end of the development area on the OAB. In addition to the anticipated private investment, the Port will perform certain common infrastructure work (e.g., access roads). Therefore, the 5-Year CIP includes approximately \$25.1 million for the Seaport Logistics Complex, as follows:

- \$10.5 million is for a variety of related work items, including pavement and site development for interim leasing;
- \$9.0 million for reconstruction of 14<sup>th</sup> Street, a major roadway serving the development area;
- \$1.0 million for utility infrastructure connections to lease parcels;
- \$2.5 million for miscellaneous common area improvements; and
- \$2.0 million is to be deposited into a Community Trust Fund. In the Amended and Restated Memorandum of Agreement (ARMOA) covering the former OAB, the Port and the City agreed to pay into a Community Trust Fund. Once the City and its developer contribute, the Port is committed to make an equal contribution, not to exceed \$2 million.

#### Temperature-Controlled Facilities

Following a competitive solicitation in 2014 for the development and operation of a new temperature controlled transload facility at the Seaport, the Port entered into a 30-year lease with Cool Port Oakland, LLC in October 2015. Construction of the Cool Port Project started in May 2017, with operations expected to commence in summer 2018. The intent of the development is to increase the import and export of perishable food products through Northern California and the Seaport. The 5-Year CIP includes \$12.5 million for this development project, of which we anticipate \$6.5 million will be reimbursed by a combination of grants and a contribution from the tenant.



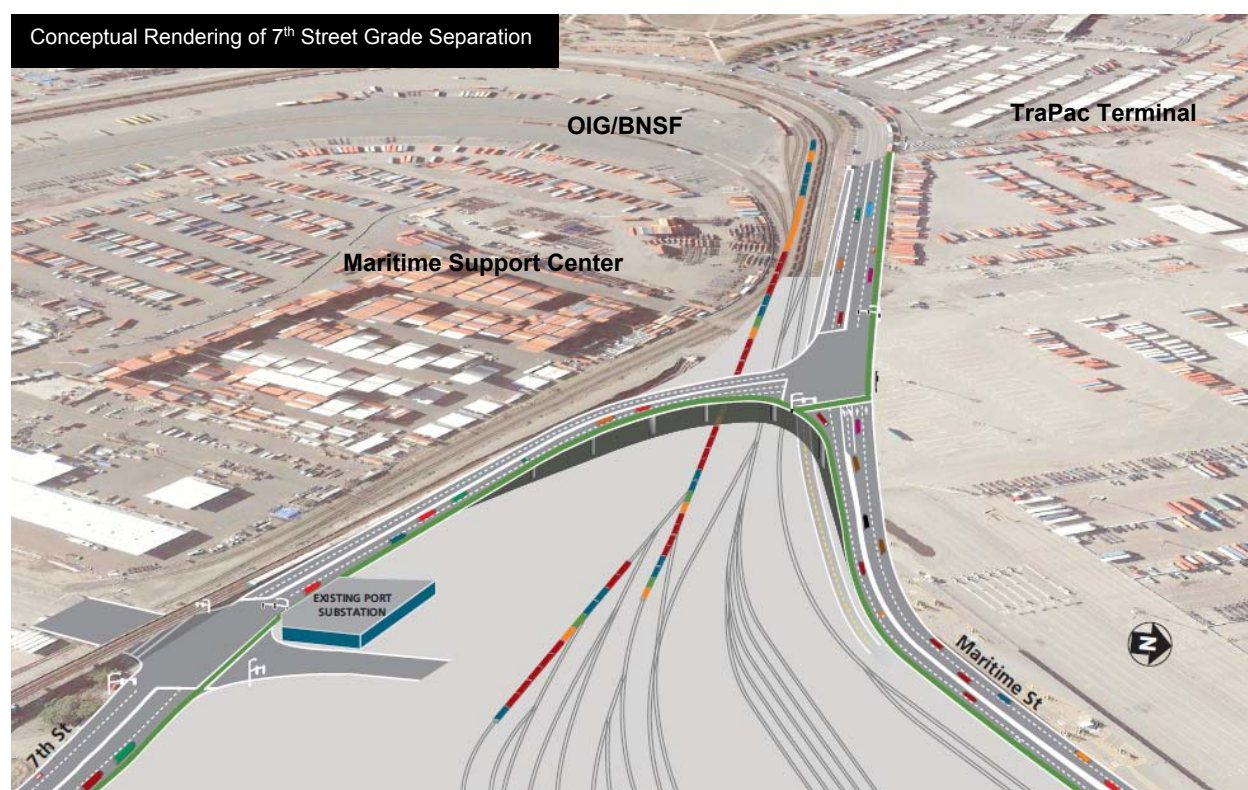


**DRAFT June 1, 2017**

### Marine Terminal & Roadway Improvements

Over the next 5 years, the Port expects to make a number of improvements to marine terminals and the key access points to those terminals in order to address aging infrastructure, the needs of larger ships, and congestion on roadways inside and leading to the Seaport.

Key projects include crane raising; wharf upgrades for vessels capable of carrying 18,000 TEUs or more; design and construction of a new, grade-separated 7<sup>th</sup> Street; development of an intelligent transportation system; and improvements to Middle Harbor Road. The latter three projects are inter-related and are being directly managed by the ACTC but heavily supported by the Port, pursuant to Measure BB Tax Fund. Approximately \$43.1 million is included in the 5-Year CIP for these projects, of which approximately \$15.1 million is for crane raising and related improvements, and \$11.6 million is to support the ACTC projects.



**DRAFT June 1, 2017****Maritime Security**

Since 2001, the Port, State, and federal government have focused on seaport security as a critical link in the national defense system. Leveraging federal security grant programs, the Port continues to implement various improvements to enhance overall security and emergency preparedness.

Key security projects in FY 2018 include completing the extension of the existing security system (fiber optic network and surveillance cameras) to the Port-owned portion of the former OAB, and modernizing existing information technology systems that are at the core of security for the Maritime facilities. These improvements support Port resiliency and promote better information sharing among agencies and stakeholders during emergencies. Approximately \$7.2 million is included in the 5-Year CIP for security projects. Although grant funding for security has become scarcer and more competitive since the early 2000s, approximately \$4.6 million of the security project costs are anticipated to be funded with grants. On-going operation and maintenance costs are typically the responsibility of the Port.

**Other Projects**

Other identified projects at the Seaport total approximately \$38.2 million in the 5-Year CIP. These projects include:

- Navigational Channel Deepening Project: The Port and the U.S. Army Corps of Engineers plan to improve the Middle Harbor Enhancement Area (MHEA), a shallow water habitat adjacent to the Port's Middle Harbor Shoreline Park, which was built by the Port as a mitigation measure for the Port's 50-foot dredging project. Additionally, the Port and U.S. Army Corps of Engineers are working to complete the dredging project through formal project close out procedures. These expenditures continue to be delayed and, therefore, the Port continues to carry \$2 million in the 5-Year CIP for these activities.
- Approximately \$27.8 million for utility upgrades such as substation replacement, sanitary sewer, and emergency power systems.
- \$4 million is included for the Middle Harbor Shoreline Park, primarily for the evaluation and repair of a section of the dike along the Oakland Estuary.
- Capital equipment, totaling about \$2.2 million over five years to perform critical facility maintenance and improvements, as well as \$1.2 million to deploy wireless technology throughout Seaport facilities, and \$1 million for miscellaneous projects and pre-development work that cannot be predicted at this time.

**Commercial Real Estate Projects**

The 5-Year CIP includes about \$6.5 million for projects related to CRE. Approximately \$1.3 million in the 5-Year CIP is included for building and tenant improvement allowance, primarily for new leases in the Airport Business Park, Embarcadero Cove, and Jack London Square; and \$1.2 million is included for reconstruction of a portion of Embarcadero Road.

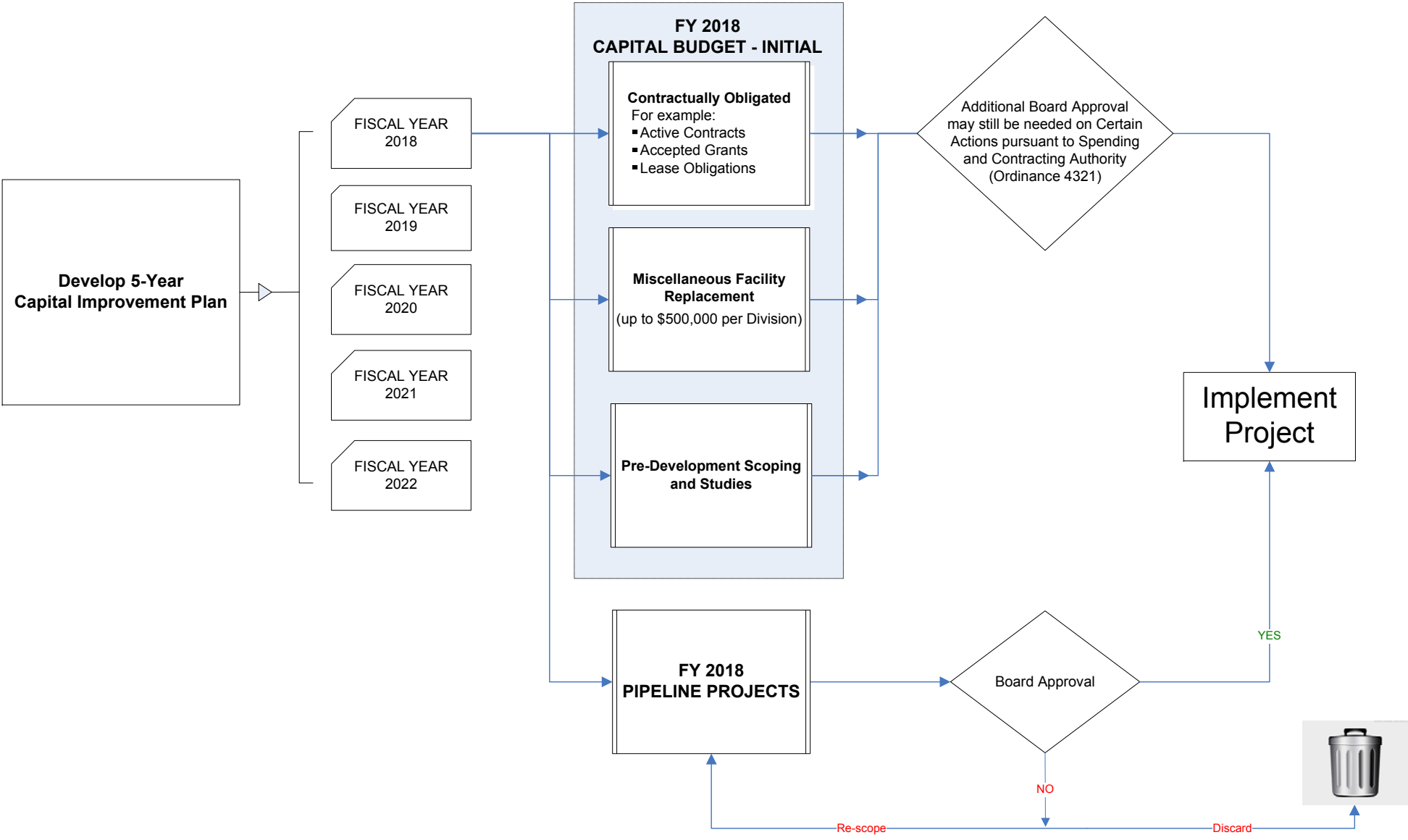
**Support Division**

The 5-Year CIP includes \$1.3 million for items such as network upgrades, and other Port business systems needs.



CAPITAL EXPENDITURE APPROVAL PROCESS

117



**DRAFT June 1, 2017**

## **CAPITAL PROJECT FUNDING SOURCES**

Capital projects at the Port are funded by grants, PFCs, CFCs, Port-generated cash, and debt. A description of the anticipated funding sources for Port capital projects is described below.

The Port has not yet secured all the funding for the projects in the 5-Year CIP. Further, the Port can provide no assurance that anticipated grants will be received in full, that reimbursable Port costs will be reimbursed in a timely manner, or that changes in project circumstances will not preclude award or receipt of grant funds. The amount projected to be available from each funding source is based on the estimated cost of certain projects and various other assumptions. Such estimates and assumptions are subject to change. Any such changes could have an impact on the Port's plans for funding the 5-Year CIP, and such changes could be material. If grants, PFCs, CFCs, and/or cash are not available as anticipated, the Port will need to use other sources of funds for these projects, such as additional CP Note proceeds, additional Intermediate Lien Bonds or additional Senior Lien Bonds, or the Port will not undertake or complete these projects. The failure to complete certain projects could significantly impact Port revenues.

### **Federal Aviation Administration Airport Improvement Program (AIP) Grants and Other Aviation Grants**

AIP funds approximately 80% of eligible Airport projects. The Port is required to fund the other 20%. The Port's share may come from PFCs or internally generated cash. From FY 2018 through FY 2022, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be about \$84.3 million. In FY 2018, OAK anticipates using approximately \$41.5 million in AIP grants. The AIP grants will be used on grant-eligible portions of airfield and apron-related projects.

In addition, the 5-Year CIP includes LLAP, VALE, and OTA funds totaling \$18.4 million to pay for eligible portions of Airport perimeter dike, installation of GSE, and TSA recapitalization EDS projects.

### **Passenger Facility Charges (PFC)**

PFCs are a user fee charged by the Airport and collected by the airlines when tickets are sold to revenue passengers enplaning at OAK. The current PFC is \$4.50 per enplaned revenue passenger. Non-revenue passengers, such as airline employees, do not pay a PFC. Airlines retain \$0.11 (2.4%) per PFC and disburse the remaining amount collected to the Port. PFCs are due to the Port by the last day of the month following the month in which they are collected. Initiated at OAK in September 1992, PFCs are approved by the FAA and are used to fund eligible capital improvement projects. The Port received approximately \$22.9 million in PFCs in FY 2016.

The Port anticipates that approximately \$49.5 million in PFC pay-go revenues will fund the costs of certain projects currently in the 5-Year CIP. All projects that are currently under construction have FAA PFC imposition and use authority. FAA PFC imposition and use authority is needed for certain projects that are anticipated to occur later in the 5-Year CIP.

**DRAFT June 1, 2017****Customer Facility Charges (CFC)**

Effective April 2002, the rental car companies operating at OAK are required to collect a \$10 per-transaction CFC from their rental customers. CFCs are received approximately 20 days after the month in which they are collected. CFCs in FY 2016 totaled approximately \$5.9 million. Future CFCs are projected based on a historical ratio of CFC collections per deplaned passenger.

CFCs can fund costs to finance, design, and construct a consolidated rental car facility and to finance, design, construct, and operate a common use transportation system. The Port's primary use of CFCs is to fund the operating costs for common use rental car buses for which the Port has special authority to do through December 31, 2018. CFCs are assumed to continue past the current legislative expiration date. In the 5-Year CIP, \$13.0 million of CFCs are assumed to be used for capital costs.

**Maritime Grants and Other Funding**

In the 5-Year CIP, the Port expects to receive approximately \$4.6 million in grant funding for security projects, \$1.0 million in grant funding for roadway/transportation projects, and \$6.5 million in grant funding and tenant contributions for the Cool Port project. These amounts do not include the Measure BB funding that ACTC is drawing upon to design certain projects, as discussed earlier in this section.

**Port Cash**

Approximately \$311.4 million of cash on hand and cash generated from future operations is assumed and applied to the 5-Year CIP.

**Commercial Paper Note Proceeds**

Based on the current 5-Year CIP, the Port projects issuing approximately \$24.3 million of commercial paper notes to pay for projects that are PFC-eligible. The Port anticipates repaying these CP Notes with future PFCs over the next 5 years. However, increases in costs, decreases in PFC collection, or the addition of other PFC-eligible projects to the Port's 5-Year CIP may increase the amount of CP Notes necessary and a long-term financing take-out may be necessary, utilizing Additional Senior or Intermediate Lien Bonds.

**DRAFT June 1, 2017****FY 2017-18 CAPITAL BUDGET - INITIAL AND PIPELINE PROJECTS****Expenditure and Funding Sources**

(\$ Thousands)

**FY 2018 EXPENDITURES**

Divisions	Capital Budget - Initial				Pipeline Projects	FY 17-18 Total Expenditure
	Contractual Obligations	Pre-Development	Misc. Facility Replacement	Total		
Aviation	69,581	500	500	70,581	81,322	151,903
Maritime	31,821	250	750	32,821	8,971	41,792
CRE	1,558	-	325	1,883	226	2,109
Support	393	-	150	543	-	543
<b>Total</b>	<b>103,353</b>	<b>750</b>	<b>1,725</b>	<b>105,828</b>	<b>90,519</b>	<b>196,347</b>

**FY 2018 FUNDING SOURCES**

Funding Source	FY 17-18 Capital Budget - Initial	FY 17-18 Pipeline Projects	FY 17-18 Total Expenditure
Aviation Grants <sup>1</sup>	17,255	38,204	55,458
Maritime Grants/Other <sup>1</sup>	6,500	601	7,101
PFC Pay-Go <sup>2</sup>	24,252	-	24,252
Debt Proceeds (PFC) <sup>3</sup>	7,100	17,187	24,287
CFCs	1,000	1,000	2,000
Cash	49,721	33,528	83,249
<b>Total</b>	<b>105,828</b>	<b>90,519</b>	<b>196,347</b>

<sup>1</sup> The Port has not yet obtained grant funding for all capital projects.<sup>2</sup> Assumes \$1 million of PFCs available at beginning of FY 2018.<sup>3</sup> Assumes that the Port's CP program will be utilized.

**DRAFT June 1, 2017****5-YEAR CAPITAL IMPROVEMENT PLAN****Expenditure and Funding Sources****FY 2017-18 to FY 2021-22**

(\$ Thousands)

**5-YEAR EXPENDITURE BY DIVISION**

Divisions	FY 17-18 <sup>1</sup>	FY 18-19	FY 19-20	FY 20-21	FY 21-22	Total Estimated Expenditure
Aviation	151,903	95,307	75,033	34,850	22,000	379,093
Maritime	41,792	36,020	25,820	15,970	6,470	126,072
CRE	2,109	2,212	577	817	743	6,458
Support	543	200	200	200	200	1,343
Total	196,347	133,739	101,630	51,837	29,413	512,966

**5-YEAR FUNDING SOURCES**

Funding Source	FY 17-18 <sup>1</sup>	FY 18-19	FY 19-20	FY 20-21	FY 21-22	Estimated Funding
Aviation Grants <sup>2</sup>	55,458	12,120	21,336	5,840	8,000	102,754
Maritime Grants/Other <sup>2</sup>	7,101	2,538	1,688	750	-	12,077
PFC Pay-Go <sup>3</sup>	24,252	12,431	4,800	4,000	4,000	49,483
Debt Proceeds (PFC) <sup>4</sup>	24,287	-	-	-	-	24,287
CFCs	2,000	2,000	-	4,000	5,000	13,000
Cash	83,249	104,650	73,807	37,247	12,413	311,365
Total	196,347	133,739	101,630	51,837	29,413	512,966

<sup>1</sup> Includes FY 2018 Capital Budget - Initial and FY 2018 Pipeline Projects.<sup>2</sup> The Port has not yet obtained grant funding for all capital projects.<sup>3</sup> Assumes \$1 million of PFCs available at beginning of FY 2018.<sup>4</sup> Assumes that the Port's CP program will be utilized.

**DRAFT June 1, 2017**

**5-YEAR CAPITAL IMPROVEMENT PLAN**  
**Annual Expenditure By Division and Projects**  
**FY 2017-18 to FY 2021-22**  
(\$ Thousands)

<u>DIVISIONS</u>	<u>FY17-18<sup>1</sup></u>	<u>FY18-19</u>	<u>FY19-20</u>	<u>FY20-21</u>	<u>FY21-22</u>	<u>Total</u>
<b>AVIATION</b>						
Airfield						
Runway 12/30 Rehabilitation	61,869	0	0	0	0	61,869
Perimeter Dike Improvements	5,800	15,550	13,000	12,000	0	46,350
Taxiway Improvements	300	3,770	15,470	7,300	10,000	36,840
Apron Hangar Improvements	0	3,180	14,300	0	0	17,480
Terminal 1 GSE Electrification	3,300	1,500	0	0	0	4,800
Other Projects	5,646	11,580	2,000	0	0	19,226
Subtotal Airfield	76,915	35,580	44,770	19,300	10,000	186,565
Terminal						
Terminal 1 Renovation & Retrofit	21,115	10,965	7,540	0	0	39,620
International Arrivals Building Upgrades	21,700	4,000	1,000	0	0	26,700
Terminal 2 Projects	14,793	12,530	5,000	5,000	5,000	42,323
Subtotal Terminal	57,608	27,495	13,540	5,000	5,000	108,643
Leased Area	1,000	1,000	4,413	4,000	5,000	15,413
Ground Access and Parking						
PARC System Upgrade	3,578	2,171	0	0	0	5,749
Airport Drive	2	4,700	0	0	0	4,702
Other Projects	1,640	4,850	0	0	0	6,490
Subtotal Ground Access & Parking	5,220	11,721	0	0	0	16,941
Security	4,214	8,050	4,100	0	0	16,364
Utilities	3,799	7,840	6,210	4,750	1,500	24,099
Facilities Maintenance	520	2,320	1,500	1,300	0	5,640
Other	2,627	1,301	500	500	500	5,428
<b>TOTAL AVIATION</b>	<b>151,903</b>	<b>95,307</b>	<b>75,033</b>	<b>34,850</b>	<b>22,000</b>	<b>379,093</b>

<sup>1</sup> Includes FY 2018 Capital Budget - Initial and FY 2018 Pipeline Projects.

**DRAFT June 1, 2017**

**5-YEAR CAPITAL IMPROVEMENT PLAN**  
**Annual Expenditure By Division and Projects**  
**FY 2017-18 to FY 2021-22**  
(\$ Thousands)

<u>DIVISIONS</u>	<u>FY17-18<sup>1</sup></u>	<u>FY18-19</u>	<u>FY19-20</u>	<u>FY20-21</u>	<u>FY21-22</u>	<u>Total</u>
<b>MARITIME</b>						
Marine Terminals						
Wharf Upgrades for 18K TEU Vessels	1,500	1,000	1,000	1,000	1,000	5,500
Wharf Pile Stabilization Program	750	500	500	500	500	2,750
Other Projects	2,050	1,250	1,000	500	500	5,300
Subtotal Marine Terminals	4,300	2,750	2,500	2,000	2,000	13,550
Cranes	7,620	7,120	120	120	120	15,100
Security	1,100	2,800	2,700	600	0	7,200
Seaport Logistics Complex	6,550	7,000	11,500	0	0	25,050
Dredging	1,000	1,000	0	0	0	2,000
Utilities	850	4,850	7,000	12,000	3,100	27,800
Roadway	4,800	5,850	1,750	1,000	1,000	14,400
Rail Infrastructure at Maritime Support Center (Cool Port)	12,000	500	0	0	0	12,500
Other Projects	3,572	4,150	250	250	250	8,472
<b>TOTAL MARITIME</b>	<b>41,792</b>	<b>36,020</b>	<b>25,820</b>	<b>15,970</b>	<b>6,470</b>	<b>126,072</b>
<b>COMMERCIAL REAL ESTATE</b>						
Jack London Square	95	295	33	241	0	664
Embarcadero Cove	1,598	0	0	0	0	1,598
Business Park	91	45	125	157	185	603
Other	325	1,872	419	419	558	3,593
<b>TOTAL COMMERCIAL REAL ESTATE</b>	<b>2,109</b>	<b>2,212</b>	<b>577</b>	<b>817</b>	<b>743</b>	<b>6,458</b>
<b>SUPPORT</b>						
Equipment and Systems	543	200	200	200	200	1,343
<b>TOTAL SUPPORT</b>	<b>543</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,343</b>
<b>TOTAL</b>	<b>196,347</b>	<b>133,739</b>	<b>101,630</b>	<b>51,837</b>	<b>29,413</b>	<b>512,966</b>

<sup>1</sup> Includes FY 2018 Capital Budget - Initial and FY 2018 Pipeline Projects.



**DRAFT June 1, 2017**

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**DRAFT June 1, 2017**

## DEBT SERVICE

The debt service as reflected in this budget is based on the scheduled annual principal and interest payments required of the Port's outstanding bonds and Department of Boating and Waterways (DBW) Loan, assumed interest and principal repayment on outstanding commercial paper (CP) Notes, and additional anticipated CP Notes to fund the Port's 5-Year CIP.

### Outstanding and Planned Debt

The Port does not have taxing power and has issued debt secured by a pledge of Port revenues (with certain exceptions).

#### Outstanding Debt

The Port currently has Senior Lien Bonds (Series O and P), a DBW Loan, Intermediate Lien Bonds (Series A, B, and C), and CP Notes outstanding.

<b>Outstanding Debt</b>	<b>Unaudited May 2, 2017</b>
Senior Lien Bonds	\$ 655,960,000
DBW Loan	4,430,445
Intermediate Lien Bonds	323,605,000
CP Notes	92,749,000
<b>Total</b>	<b>\$1,076,744,445</b>

The current outstanding revenue bonds (Senior Lien and Intermediate Lien) were issued in 2007, 2011, and 2012 at fixed rates ranging from 3.00% to 5.125% with remaining principal repayments scheduled for FY 2018-2033. If interest rates remain favorable, the Port is planning on refunding the 2007 Series A, B, and C Intermediate Lien Bonds for debt service savings in summer 2017. No debt service savings are reflected in the budget and the refunding of the Series 2007 A, B, and C Bonds may or may not occur, and the level of debt service savings, if any, may or may not be achieved. The DBW Loan financed the 1999 renovation of the Jack London Square Marinas and has a fixed rate of 4.5%.

The Port initiated a \$300 million CP program in 1998 to provide flexibility to borrow funds on short notice to (1) fund a portion of the capital program, (2) provide interim financing for cash management (e.g. lags in grant reimbursement), and (3) provide emergency funding. CP Notes may be repaid with cash, PFCs, or long-term debt and may be re-borrowed from time to time. The interest rate on the CP Notes is variable and resets every 1 to 270 days and is assumed to range from 1.35% to 2.15% in FY 2018 through FY 2022. Under the CP Indenture, the maximum CP Notes interest rate is 12% with a maximum term of 270 days.

The Port currently has two letters of credit (LOC) securing the CP Notes, \$50 million with JPMorgan Chase Bank (JPMorgan), expiring on June 30, 2017, and \$150 million with Bank of America, N.A. (BANA), expiring on June 30, 2019. The expiring JP Morgan LOC is anticipated to be substituted with a second BANA LOC for \$50 million, expiring on June 30, 2019.

DRAFT June 1, 2017

The priority of payment for the Port's debt is as follows:

1. Senior Lien Bonds
2. DBW Loan
3. Intermediate Lien Bonds
4. CP Notes

#### Planned Additional Debt

The Port anticipates issuing an additional approximate \$14 million of CP Notes to pay for PFC-eligible costs incurred during FY 2017, that are not reflected in the May 2, 2017 CP Notes outstanding balance. In addition, based on the 5-year CIP (see *Capital Budget and 5-Year Capital Improvement Plan* section), the Port projects that from FY 2018 through FY 2022, it will need to issue approximately \$24.3 million of debt payable from PFCs to pay for a portion of the projects that are PFC-eligible. The average interest rate on the outstanding CP Notes is assumed to be 1.35% in FY 2018, increasing to 2.15% in FY 2022.

#### Repayment of CP Notes

As of May 2, 2017, approximately \$57.4 million of the Port's outstanding CP Notes is non-PFC eligible. The Port plans to make principal repayments totaling \$4 million each fiscal year, as an overall plan to repay this debt.

As of May 2, 2017, approximately \$35.3 million of the Port's outstanding CP Notes is PFC-eligible. The Port anticipates issuing an additional approximate \$14 million of CP Notes to pay PFC-eligible costs incurred during FY 2017 that are not reflected in the May 2, 2017 CP Notes outstanding balance. Furthermore, an additional \$24.3 million is anticipated to be issued, for a total anticipated CP Notes balance for PFC-eligible projects of \$73.6 million.

For the CP Notes that are payable from PFCs, the Port anticipates repaying these CP Notes in full with future PFCs over the next 5 years. However, increases in project or interest costs, decreases in PFC collection, or the addition of other PFC-eligible projects to the Port's 5-Year CIP may increase the amount of CP Notes necessary and a long-term financing take-out may be necessary, utilizing Additional Senior or Intermediate Lien Bonds.

#### **Debt Covenants**

The Port has covenanted in the Bond Indentures and in the LOC Agreements to maintain Net Revenues (as defined in the Bond Indentures) at or above specified levels of the annual debt service paid by the Port each fiscal year. The minimum debt service coverage ratio (DSCR) for Senior Lien Bonds is 1.25 and the minimum DSCR for the Intermediate Lien Bonds is 1.10. Under the LOC Agreements, the Port has also agreed to maintain a minimum Intermediate Lien DSCR of 1.10.

#### **Debt Service Coverage Ratios**

The Senior Lien, Intermediate Lien, and Aggregate DSCR are shown in the following table. The Intermediate Lien DSCR includes debt service on Senior Lien Bonds, DBW Loan, and Intermediate Lien Bonds. The Aggregate DSCR includes debt service on Senior Lien Bonds, DBW Loan, Intermediate Lien Bonds, and CP Notes that are to be repaid with operating revenues, including the Port's plan to make principal payments on outstanding CP Notes totaling \$4 million per year, as part of an overall plan to repay this debt. Does not include debt service on CP Notes anticipated to be repaid with PFCs. The interest rate on the CP Notes is assumed to be 1.35% in FY 2018, increasing to 2.15% in FY 2022.

DRAFT June 1, 2017

**DEBT SERVICE COVERAGE****FY 2015-16 TO FY 2021-22**

(\$ Thousands)

	<b><u>Actual</u></b> <b><u>2015-16</u></b>	<b><u>Budget</u></b> <b><u>2016-17</u></b>	<b><u>Budget</u></b> <b><u>2017-18</u></b>	<b><u>Projected</u></b> <b><u>2018-19</u></b>	<b><u>Projected</u></b> <b><u>2019-20</u></b>	<b><u>Projected</u></b> <b><u>2020-21</u></b>	<b><u>Projected</u></b> <b><u>2021-22</u></b>
Operating Revenues	\$338,037	\$343,169	\$368,836	\$378,277	\$387,003	\$401,082	\$411,919
Operating Expenses <sup>1</sup>	(181,157)	(200,033)	(219,646)	(225,974)	(233,494)	(244,271)	(252,083)
Interest Earned <sup>2</sup>	2,103	1,646	2,231	3,508	4,008	4,589	4,957
<b>Net Revenues</b>	<b>158,983</b>	<b>144,782</b>	<b>151,421</b>	<b>155,811</b>	<b>157,517</b>	<b>161,400</b>	<b>164,793</b>
<b><u>Debt Service:</u></b>							
Debt Service – Senior Lien Bonds	48,191	44,389	45,370	46,355	47,433	65,694	76,469
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan	98,877	99,478	100,939	102,448	97,084	96,447	98,052
Debt Service – Aggregate (excl. amounts paid by PFCs) <sup>3</sup>	102,997	103,908	105,660	107,213	101,900	101,275	102,856
<b><u>Debt Service Coverage Ratio:</u></b>							
Senior Lien <sup>4</sup>	3.30	3.26	3.34	3.36	3.32	2.46	2.16
Intermediate Lien <sup>5</sup>	1.61	1.46	1.50	1.52	1.62	1.67	1.68
Aggregate <sup>6</sup>	1.54	1.39	1.43	1.45	1.55	1.59	1.60

<sup>1</sup> Excludes depreciation and amortization.<sup>2</sup> Interest Earned is Interest Income in accordance with generally accepted accounting principles and does not include the interest earned on PFC and CFC funds.<sup>3</sup> Includes debt service on Senior and Intermediate Lien Bonds, DBW Loan, and CP Notes that are to be repaid with Operating Revenues, including the Port's plan to make principal payments on outstanding CP Notes totaling \$4 million per year, as part of an overall plan to repay this debt. Does not include debt service on CP Notes anticipated to be repaid with PFCs. The interest rate on CP Notes is assumed to be 1.35% in FY 2018, increasing to 2.15% in FY 2022.<sup>4</sup> Senior Lien DSCR equals Net Revenues divided by Debt Service – Senior Lien Bond.<sup>5</sup> Intermediate Lien DSCR equals Net Revenues divided by Debt Service – Senior & Intermediate Lien Bonds & DBW Loan.<sup>6</sup> Aggregate DSCR equals Net Revenues divided by Debt Service – Aggregate (excluding amounts paid by PFCs).

## DEBT SERVICE SCHEDULE

FY 2017-18 TO FY 2021-22

(\$Thousands)<sup>1</sup>

Description	FY 2017-18			FY 2018-19			FY 2019-20			FY 2020-21			FY 2021-22		
	Principal	Interest <sup>2</sup>	Total	Principal	Interest <sup>2</sup>	Total	Principal	Interest <sup>2</sup>	Total	Principal	Interest <sup>2</sup>	Total	Principal	Interest <sup>2</sup>	Total
<u>Senior Lien Revenue Bonds</u>															
2011 Refunding Bonds Series O	\$12,935	14,405	27,340	\$14,565	\$13,760	\$28,325	\$16,370	\$13,033	\$29,403	\$17,185	\$12,214	\$29,399	\$18,040	\$11,363	\$29,403
2012 Refunding Bonds Series P	0	18,030	18,030	0	18,030	18,030	0	18,030	18,030	18,265	18,030	36,295	29,945	17,121	47,066
Subtotal Sr. Lien Rev. Bonds	12,935	32,435	45,370	14,565	31,790	46,355	16,370	31,063	47,433	35,450	30,244	65,694	47,985	28,484	76,469
<u>Loans</u>															
Dept. of Boating & Waterways Loan	258	200	458	270	188	458	282	176	458	295	163	458	308	150	458
<u>Intermediate Lien Revenue Bonds</u>															
2007 Refunding Bonds Series A	2,430	7,588	10,018	2,560	7,464	10,024	2,675	7,335	10,010	8,930	7,047	15,977	9,395	6,589	15,984
2007 Refunding Bonds Series B	19,440	5,428	24,868	20,930	4,456	25,386	21,965	3,421	25,386	11,740	2,578	14,318	2,930	2,211	5,141
2007 Refunding Bonds Series C	18,145	2,080	20,225	19,075	1,150	20,225	13,460	337	13,797	0	0	0	0	0	0
Subtotal Int. Lien Rev. Bonds	40,015	15,096	55,111	42,565	13,070	55,635	38,100	11,093	49,193	20,670	9,625	30,295	12,325	8,800	21,125
<b>Total Sr. &amp; Int. Lien Rev. Bonds and DBW Loan</b>	<b>53,208</b>	<b>47,731</b>	<b>100,939</b>	<b>57,400</b>	<b>45,048</b>	<b>102,448</b>	<b>54,752</b>	<b>42,332</b>	<b>97,084</b>	<b>56,415</b>	<b>40,032</b>	<b>96,447</b>	<b>60,618</b>	<b>37,434</b>	<b>98,052</b>
Commercial Paper (Non-PFC) <sup>3</sup>	4,000	721	4,721	4,000	766	4,766	4,000	817	4,817	4,000	828	4,828	4,000	804	4,804
<b>Total including CP Notes (Non-PFC)</b>	<b>57,208</b>	<b>48,452</b>	<b>105,660</b>	<b>61,400</b>	<b>45,814</b>	<b>107,214</b>	<b>58,752</b>	<b>43,149</b>	<b>101,901</b>	<b>60,415</b>	<b>40,860</b>	<b>101,275</b>	<b>64,618</b>	<b>38,238</b>	<b>102,856</b>
Commercial Paper (PFC) <sup>4</sup>	0	994	994	12,560	1,141	13,701	20,908	1,099	22,008	22,679	803	23,482	17,474	376	17,850

<sup>1</sup> Summary amounts may not total due to rounding.<sup>2</sup> Interest shown on this table is on a cash basis. On the Income Statement, Interest Expense is shown on an accrual basis.<sup>3</sup> The Port plans to make principal payments on outstanding CP Notes totaling \$4 million per year, as part of an overall plan to repay this debt. The interest rate on CP Notes is assumed to be 1.35% in FY 2018, increasing to 2.15% in FY 2022.<sup>4</sup> Based on the 5-Year CIP, the Port plans to issue approximately \$24.3 million of CP Notes payable by PFCs. The Port anticipates having \$73.6 million of CP Notes payable from PFCs outstanding at the end of FY 2017-18 and anticipates repaying these CP Notes in full with future PFCs over the next 5 years; see *Capital Budget and 5-Year Capital Improvement Plan* and *Debt Service and Cash Flow* sections. The Port has not yet obtained funding for all capital projects described, some of which may ultimately not be implemented by the Port.

DRAFT June 1, 2017

## CASH FLOW

### Flow of Funds

The application of the Port's revenues is governed by certain provisions of the City Charter. All income and revenue from the operations of the Port or from Port facilities are to be deposited in a special fund in the City Treasury and to be designated as the "Port Revenue Fund" and to be applied as follows:

1. To pay principal and interest on any or all general obligation bonds of the City issued for Port purposes (no general obligation bonds are outstanding);
2. To pay the principal and interest on revenue bonds;
3. To pay all costs of maintenance and operation of the facilities together with general costs of administration and overhead allocable to such facilities;
4. To defray the expenses of any pension or retirement system applicable to the employees;
5. For necessary additions, betterments, improvements, repairs or replacements of any facilities;
6. To establish and maintain reserve or other funds to insure the payment on or before maturing of any or all general obligation bonds of the City issued for any facility under the control of the Board. To establish and maintain reserve or other funds to insure the payment on or before maturity of any or all revenue bonds;
7. To establish and maintain such other reserve funds pertaining to the facilities of the Board as determined by a resolution(s) of the Board; and
8. For transfer to the General Fund to the City, to the extent that the Board determines that surplus moneys exist in such fund which is not then needed for any of the above purposes.

### Board Established Cash Reserves

The following reserves will be established as of July 1, 2017:

<b>Board Reserves</b>	
Port Bond Reserve	\$30,000,000
Operating Reserve	27,456,000
Capital Reserve	<u>15,000,000</u>
<b>Total</b>	<b>\$72,456,000</b>



**DRAFT June 1, 2017**

The Board established Reserve Funds are to be used as follows:

1. Bond Reserve Fund – Fixed at \$30 million. Amounts may be withdrawn from the reserve fund for the following purposes:
  - a. to pay principal of, and interest on, indebtedness of the Port in the event that reserve funds established under the various indentures relating to such indebtedness and revenues of the Port are insufficient to pay such principal or interest then due and owing by the Port; or
  - b. to pay for emergency capital expenditures or extraordinary operating and maintenance expenditures of the Port.
2. Operating Reserve Fund – Adjusted each July 1 to equal 12.5% of the Port's approved annual operating expense budget (before depreciation and amortization). The Port may withdraw funds for unanticipated working capital requirements.
3. Capital Reserve Fund – Fixed at \$15 million. The reserve may be used for the following purposes:
  - a. to pay principal of, and interest on, indebtedness of the Port in the event that reserve funds established under the various indentures relating to such indebtedness and revenues of the Port are insufficient to pay such principal or interest then due and owing by the Port; or
  - b. to pay for extraordinary capital improvements or extraordinary operating and maintenance expenditures of the Port.

### **Restricted Cash**

Restricted cash are sources that have a designated purpose and cannot be used for any other reasons. The Port's restricted cash includes the following:

1. Bond Reserve/Rebate Funds – As stated in the indentures, bond reserve funds are established and held by the bond trustee to pay debt service if the Port has insufficient funds. Rebate funds are held under the indentures to hold rebate payments to be made to the U.S. Treasury;
2. Bond Construction Funds – Funds received from bond proceeds to pay for qualifying capital improvement costs;
3. Passenger Facility Charge (PFC) – A user fee charged by OAK and collected by the airlines for revenue passengers enplaning air carrier flights. The FAA approves the PFCs which are used to fund eligible Airport capital improvements;
4. Customer Facility Charge (CFC) – A per-contract fee charged by rental car companies on behalf of OAK. CFCs are used to fund ground transportation (including buses and shuttle services) and construction related to rental car facilities; and
5. Construction Escrows – A portion of the amount due to a contractor is set aside until the project has been signed off and placed into service.

**STATEMENT OF CASH FLOWS****DRAFT June 1, 2017****FY 2017-18 to FY 2021-22**

(\$ Thousands)

	<b>Projected 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
General Fund <sup>1</sup>	250,000	202,244	132,416	99,451	112,211
Port Bond Reserve Fund	30,000	30,000	30,000	30,000	30,000
Operating Reserve Fund	27,456	28,247	29,187	30,534	31,510
Capital Reserve Fund	15,000	15,000	15,000	15,000	15,000
Beginning Balance	322,456	275,491	206,603	174,985	188,721
<b>Sources</b>					
Operating Revenues	368,836	378,277	387,003	401,082	411,919
PFCs for Debt Service <sup>2</sup>	994	13,701	22,008	23,483	17,849
Interest Income <sup>3</sup>	1,728	3,005	3,504	4,085	4,454
Other <sup>4</sup>	1,920	-	-	-	-
Total Receipts	373,478	394,983	412,515	428,650	434,222
AIP, PFC Pay-Go, CFC, Other Grants <sup>5</sup>	88,811	29,089	27,824	14,590	17,000
Debt Proceeds	-	-	-	-	-
Debt Proceeds (PFC-Supported) <sup>6</sup>	24,287	-	-	-	-
Total Capital and Financing Proceeds	113,098	29,089	27,824	14,590	17,000
<b>TOTAL SOURCES</b>	<b>486,576</b>	<b>424,072</b>	<b>440,339</b>	<b>443,240</b>	<b>451,222</b>
<b>Uses</b>					
Operating Expenses	(219,646)	(225,974)	(233,494)	(244,271)	(252,083)
Bond and DBW Debt Service					
Principal	(53,208)	(57,400)	(54,752)	(56,415)	(60,618)
Interest	(47,731)	(45,048)	(42,331)	(40,032)	(37,434)
Total Bond and DBW Debt Service	(100,939)	(102,448)	(97,083)	(96,447)	(98,051)
CP Notes					
Principal <sup>7</sup>	(4,000)	(16,560)	(24,908)	(26,679)	(21,474)
Interest <sup>8</sup>	(1,715)	(1,907)	(1,917)	(1,631)	(1,180)
Total CP Notes Payments	(5,715)	(18,467)	(26,825)	(28,311)	(22,654)
Capital Expenses <sup>9</sup>	(196,347)	(133,739)	(101,630)	(51,837)	(29,413)
Other Payments <sup>10</sup>	(10,894)	(12,332)	(12,925)	(8,638)	(6,193)
<b>TOTAL USES</b>	<b>(533,541)</b>	<b>(492,960)</b>	<b>(471,957)</b>	<b>(429,504)</b>	<b>(408,394)</b>
Net Cash Flow (Sources less Uses)	(46,965)	(68,888)	(31,618)	13,736	42,828
Ending Balance	275,491	206,603	174,985	188,721	231,549

1 Beginning General Fund balance for FY 2018 is an estimate. General Fund balances in subsequent years are projected.

2 PFCs anticipated to be used to pay for debt service related to PFC-eligible CP Notes.

3 Excludes non-cash interest accrual and interest income earned on PFC and CFC fund balances. Assumes interest rates of 0.75%, 1.30%, 1.55%, 1.75%, 1.90% in FY 2018 through FY 2022, respectively.

4 Includes proceeds from sale of certain small parcels of land.

5 The Port has not yet obtained grant funding for all capital projects described, some of which may not be ultimately implemented by the Port. See *Capital Budget and 5-Year Capital Improvement Plan* section.

6 Assumes that the Port's CP program will be utilized.

7 Includes \$4 million principal repayment of outstanding CP Notes in each year plus anticipated repayment of PFC-eligible CP Notes, based on 5-year CIP and PFC revenue projections. See *Capital Budget and 5-Year Capital Improvement Plan* section.

8 Assumes interest rates of 1.35%, 1.55%, 1.80%, 2.00%, 2.15% in FY 2018 through FY 2022, respectively and CP Notes balance of \$127.0 million, \$110.5 million, \$85.6 million, \$58.9 million, and \$37.4 million, respectively.

9 Based on the Port's 5-year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.

10 Includes, but not limited to letter of credit fees, certain non-operating City payments, retroactive pension contributions for certain aircraft rescue fire fighters personnel and deferred prior year maintenance.

**DRAFT June 1, 2017****STATEMENT OF CASH FLOWS - RESTRICTED****FY 2017-18 to FY 2021-22**

(\$ Thousands)

	<b>Projected 2017-18</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>
Bond Reserve Funds	57,908	57,908	57,908	57,908	57,908
Bond Construction Funds	-	-	-	-	-
Passenger Facility Charge	1,000	1,000	1,000	1,000	1,000
Customer Facility Charge	9,000	8,010	7,114	8,228	5,374
Construction Escrows	3,000	3,000	3,000	3,000	3,000
Beginning Balance	70,908	69,917	69,021	70,135	67,282
<b>Passenger Facility Charge (PFC)</b>					
Beginning Balance <sup>1</sup>	1,000	1,000	1,000	1,000	1,000
PFC Revenues	25,238	26,119	26,792	27,465	28,151
PFC Interest Income	8	13	16	18	19
PFC-Eligible Debt Proceeds <sup>2</sup>	24,287	-	-	-	-
Less: Interest on PFC-Eligible CP Notes <sup>3</sup>	(994)	(1,141)	(1,099)	(803)	(376)
Less: PFC Capital Expenditures <sup>2</sup>	(48,539)	(12,431)	(4,800)	(4,000)	(4,000)
Less: Repayment of PFC-Eligible CP Notes	-	(12,560)	(20,908)	(22,679)	(17,474)
Ending Balance	1,000	1,000	1,000	1,000	7,321
<b>Customer Facility Charge (CFC)</b>					
Beginning Balance <sup>1</sup>	9,000	8,010	7,114	8,228	5,374
CFC Revenues	6,036	6,247	6,408	6,569	6,733
CFC Interest Income	68	104	110	144	102
Less: CFC Capital Expenditures	(2,000)	(2,000)	-	(4,000)	(5,000)
Less: CFC Expenditures	(5,094)	(5,247)	(5,404)	(5,566)	(5,733)
Ending Balance	8,010	7,114	8,228	5,374	1,476

1 Beginning fund balances for FY 2018 are estimates; subsequent years are projected.

2 Based on the Port's 5-year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.

3 Assumes interest rates of 1.35%, 1.55%, 1.80%, 2.00%, 2.15% in FY 2018 through FY 2022, respectively.

**DRAFT June 1, 2017****ACRONYMS**

ACTC	Alameda County Transportation Commission
AIP	Airport Improvement Program
APDA	Alternative Project Delivery Approach
APD	Airport Perimeter Dike
APDD	Aviation Project Design & Delivery
ARFF	Aircraft Rescue and Fire Fighting
ARMOA	Amended and Restated Memorandum of Agreement
AVI	Automated Vehicle Identification
BART	Bay Area Rapid Transit
BNSF	Burlington Northern-Santa Fe Railway Company
BRAC	Base Realignment and Closure
CAFR	Comprehensive Annual Financial Report
CalPERS	California Public Employees Retirement System
CBP	U.S. Customs and Border Protection
CEC	California Energy Commission
CEQA	California Environmental Quality Act
CFC	Customer Facility Charge
CIP	Capital Improvement Plan
CNG	Compressed Natural Gas
CP	Commercial Paper
CPI	Consumer Price Index
CRE	Commercial Real Estate
CTMP	Comprehensive Truck Management Program
CY	Calendar Year
DBE	Disadvantaged Business Enterprise
DBW	Department of Boating and Waterways
DFEH	Department of Fair Employment and Housing
DHS	U.S. Department of Homeland Security
DOE	U.S. Department of Energy
DPM	Diesel Particulate Matter
DSCR	Debt Service Coverage Ratio
EEOC	Equal Employment Opportunity Commission
EBMUD	East Bay Municipal Utility District
EBRPD	East Bay Regional Park District
EBSP	Electronic Baggage Screening Program

**DRAFT June 1, 2017**

EDS	Explosives Detection Systems
EPA	U.S. Environmental Protection Agency
ERP	Enterprise Resource Planning
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FTE	Full-Time Equivalent
FY	Fiscal Year
FBO	Fixed Base Operator
GASB	Governmental Accounting Standards Board
GSE	Ground Support Equipment
HR	Human Resources
IAB	International Arrivals Building
ILWU	International Longshore and Warehouse Union
IT	Information Technology
JLID	Jack London Improvement District
JLS	Jack London Square
LBA	Local Business Area
LED	Light Emitting Diode
LEED	Leadership in Energy and Environmental Design
LIA	Local Impact Area
LLAP	State Local Levee Assistance Program
LOC	Letter of Credit
MAG	Minimum Annual Guarantee
MAPLA	Maritime and Aviation Project Labor Agreement
MAQIP	Maritime Air Quality Improvement Plan
MHEA	Middle Harbor Enhancement Area
MHSP	Middle Harbor Shoreline Park
MOU	Memoranda of Understanding
MPDD	Maritime Project Design & Delivery
NDSLBP	Non-Discrimination and Small Local Business Utilization Policy
NEPA	National Environmental Policy Act
OAB	Oakland Army Base
OAK	Oakland International Airport
OCIP	Owner-Controlled Insurance Program
OIG	Oakland International Gateway (formerly known as Joint Intermodal Terminal - "JIT")
OTA	Other Transaction Agreement

**DRAFT June 1, 2017**

PARCS	Parking Access and Revenue Control System
PETF	Port Efficiency Task Force
PFC	Passenger Facility Charge
PFSO	Port Facilities Security Officer
PG&E	Pacific Gas and Electric
PMA	Pacific Maritime Association
RFP	Request for Proposals
RPS	Renewable Portfolio Standard
RSA	Runway Safety Area
SRD	Social Responsibility Division
STEM	Science, Technology, Engineering, and Mathematics
STEP	Secure Truck Enrollment Program
TEU	Twenty-Foot Equivalent Unit
TNC	Transportation Network Companies
TSA	Transportation Security Administration
TWG	Truckers Working Group
UP	Union Pacific Railroad
UPS	United Parcel Service, Inc.
VALE	Voluntary Airport Low Emissions
WAPA	Western Area Power Administration

**DRAFT June 1, 2017**

## DEFINITIONS

**Aircraft operation** - Refers to landing and subsequent takeoff (also known as a “turn”).

**Airport Business Park** - Business park near Oakland International Airport and Oakland-Alameda County Coliseum Complex. The park consists of 340 acres, of which 280 acres are privately owned.

**Airport Improvement Program (AIP)** - Federal program that provides funding from the Airport and Airway Trust Fund for airport development, airport planning, noise compatibility planning, and to carry out noise compatibility programs.

**Americans with Disabilities Act (ADA)** - Federal legislation that prohibits discrimination against all individuals with mental or physical disabilities.

**Amortization** - See *Depreciation and Amortization*

**Business Revenue** - As referenced in the table on page 37, revenue generated by businesses due to Port activity. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**Calendar Year (CY)** – A twelve-month period starting with January 1 and ending with December 31, and which has 365 days in a non-leap year and 366 days in a leap year.

**Component Unit in the City of Oakland Basic Financial Statement** - The account the City uses to record the financial activities of the Port due to the enterprise nature of the Port's operations. The Port is a department of the City.

**Comprehensive Annual Financial Report of the City of Oakland (CAFR)** - Document published annually by the City detailing financial, statistical, budgetary, and demographic data to be distributed to the public. It includes the Port's financial information.

**Comprehensive Truck Management Program (CTMP)** - The CTMP is the Port's Comprehensive Truck Management Program, a plan to address air quality, safety and security, community impacts, and business operation issues related to trucks serving the Port's maritime facilities. The CTMP seeks to balance the needs of its customers with those of its neighboring community in an effort to improve commerce and quality of life for those living and working in and around the Seaport.

**Consumer Price Index (CPI)** - An inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation.

**Contractual services** - Professional and support personnel services used by the Port other than employees or temporary agencies.

**Cranes, post-panamax** - Container cranes designed to handle cargo vessels that are too large to fit through the Panama Canal. See *Post-panamax vessels*

**Cranes, super post-panamax** - Container cranes designed to handle cargo vessels that are too large to fit through the Panama Canal. See *Super post-panamax vessels*

**Department** - An organizational unit within the Port which is part of a division.

**Departmental credits** - The application of direct labor and overhead to capital projects or the transfer of expenses from one unit, department, or division to another.



**DRAFT June 1, 2017**

**Depreciation and Amortization** - The value of an asset is reduced through use, deterioration, or obsolescence. Depreciation describes the decrease in the value of the asset over its estimated useful life. Tangible assets, such as buildings and equipment are depreciated. Amortization refers to intangible assets such as computer software and noise easements. Intangible assets are amortized over the estimated service capacity of the asset.

**Direct Jobs** - As referenced in the table on page 37, Bay Area jobs wholly-dependent upon the Port's existence. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**Division** - A major administrative segment of the Port which indicates overall management responsibility for an operation or a group of related operations within a functional area.

**Dockage** - The charge levied against a vessel for berthing space.

**Dredging** - Removal of sediments on the bottom of a waterway for the safe passage of vessels.

**Embarcadero Cove** - Recreational marina area on the waterfront south of Lake Merritt Channel which includes marinas, a public fishing pier, shops, offices, hotels, and restaurants.

**Enterprise Fund** - A fund established to account for government operations financed and operated in a manner similar to private business enterprises.

**Federal Aviation Administration (FAA)** - The federal agency responsible for regulating and funding U.S. airports.

**Fiscal year (FY)** - A twelve-month time period signifying the beginning and ending period for recording financial transactions. The Port has specified July 1 through June 30 as its fiscal year.

**Fueling revenue** - Port revenue for providing facilities for fuel storage (tank farm) and delivery (fuel hydrant system) for aircraft and ground vehicles. A fuel consortium of passenger and cargo airlines operating at OAK, under lease, reimburses the Port for all costs associated with its use of the fueling infrastructure. The consortium contracts with a third-party operator to provide fueling services.

**Full-Time Equivalent (FTE)** - A measure of employment used when the work force includes full-time employees.

**General aviation** - Aviation activity not air carrier related, such as private aircraft, business aircraft, and corporate aviation activities. OAK's North Field is considered a general aviation airport, although some air carrier activity takes place there.

**General Services** - See *Payments to the City, General Services*

**Generally Accepted Accounting Principles (GAAP)** - A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board.

**Governmental Accounting Standards Board (GASB)** - The independent private-sector organization, formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments.

**Indirect Jobs** - As referenced in the table on page 37, similar to induced jobs, but generated by businesses re-spending their income on local goods and services. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**DRAFT June 1, 2017**

**Induced Jobs** - As referenced in the table on page 37, jobs, generally but not necessarily in the Bay Area, which are generated by direct job holders spending their salaries on goods and services. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**Inland Point Intermodal (IPI)** - Refers to inland points (non-ports) that can be served by carriers (shipping lines) on a through bill of lading.

**Jack London Square (JLS)** - A 25-acre mixed-use development area at the foot of Broadway.

**Lake Merritt payments** - See *Payments to the City, Lake Merritt*

**Leadership in Energy and Environmental Design (LEED)** - A nationally recognized green building rating system established by the U.S. Green Building Council.

**Local Purchases** - As referenced in the table on page 37, purchases of goods and services by firms dependent upon the Port. These support local, indirect jobs. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**Loss on abandoned and demolished assets** - Abandonment losses result on projects written off because it is not feasible to complete the project or the project does not result in an asset. Losses on demolished assets result when a depreciable asset is destroyed, usually to make way for another project.

**Net assets** - The amount by which the value of a company's assets exceeds its liabilities.

**Non-operating items** - Income or expenses that are not associated with operations. In the Port's financial reporting, these include interest income, interest expense, and other income and expenses that are either nonrecurring in nature or do not result from its ordinary operations.

**Northern California** - The northern portion of the State of California, defined generally as those areas including and north of the Monterey, Kings, Tulare, and Inyo counties.

**Oakland International Gateway (OIG)** - Facility that provides ocean carriers with a near-dock intermodal facility. OIG became operational in March 2002 and is operated by Burlington Northern-Santa Fe Railroad under a ten-year lease agreement. Union Pacific Railroad is allowed access and usage. Formerly known as the Joint Intermodal Terminal (JIT).

**Owner-Controlled Insurance Program (OCIP)** - Port-managed program for consolidated purchase of insurance to, among other matters, assist small and local businesses to participate in Port capital projects.

**Panamax vessels** - Those vessels that fit through the Panama Canal and are no more than 13 containers wide. See *Post-panamax and Super post-panamax vessels*

**Passenger traffic** - Enplanements, deplanements, and connecting passenger activity. Enplanement is an originating passenger who boards a flight; deplanement is a passenger whose final destination is OAK; and connecting passenger is a passenger who uses OAK to connect between flights. Connecting passengers are considered enplanements for the purpose of collecting PFCs.

**Payments to the City, General Services** - General Services include police and fire services.

**Payments to the City, Lake Merritt** - Reimbursement to the City for expenditures of local funds for Lake Merritt tideland trust purposes.

**DRAFT June 1, 2017**

**Payments to the City, Special Services** - Reimbursement to the City for services, such as City Clerk personnel, City Treasury, and special police services.

**Personal Income** - As referenced in the table on page 37, wages and salaries of direct job holders plus wages and salaries of indirect job holders plus re-spending and consumption. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**Personnel services** - Expenditures related to employee compensation including wages and fringe benefits such as medical, dental, and retirement.

**Post-panamax vessels** - Those vessels that are more than 13 containers but less than 18 containers wide. See *Panamax and Super post-panamax vessels*

**Related Jobs** - As referenced in the table on page 37, jobs with companies that ship or receive goods through the Seaport or Airport to the extent such jobs are directly connected to the companies' activities at the Port. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**State/Local Taxes** - As referenced in the table on page 37, includes airline ticket tax, State and local income tax, sales tax, motor vehicle registration and licensing tax, State motor fuel tax, county property tax, and local City tax. This includes direct, induced/local consumption, and indirect taxes. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**Super post-panamax vessels** - Vessels that are at least 18 containers wide. See *Panamax and Post-panamax vessels*

**Tidelands Trust** - All Port of Oakland lands and assets are held in trust for the people of the State of California, subject to a public trust, commonly known as the Tidelands Trust. The State Lands Commission has jurisdiction over these lands. Permitted uses under the Tidelands Trust generally include maritime commerce, harbors and aviation, as well as uses of statewide interest, such as fishing, public recreation, and enjoyment of the waterfront.

**Twenty-foot equivalent unit (TEU)** - A TEU or Twenty-foot Equivalent Unit is an international standard of measurement for the volume of business that moves through a container port. Containers vary in length, from 20 feet to 53 feet with the majority of the containers being 40 feet. One forty-foot container is equal to two TEUs.

**Visiting Industry Jobs** - As referenced in the table on page 37, direct, induced, and indirect jobs supported in the Bay Area visitor industry as a result of out-of-town passengers using OAK. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

**DRAFT June 1, 2017**

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